LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SINGLE AUDIT COMPLIANCE REPORT

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lutheran Social Service of Minnesota and Affiliates
St. Paul, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Lutheran Social Service of Minnesota (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Social Service of Minnesota and Affiliates, as of September 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Lutheran Social Service of Minnesota and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Lutheran Social Service of Minnesota and Affiliates' 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Social Service of Minnesota and Affiliates' 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.

Board of Directors
Lutheran Social Service of Minnesota and Affiliates

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2025, on our consideration of Lutheran Social Service of Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Social Service of Minnesota and Affiliates' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 4, 2025

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

	2024				
	Lutheran Social Service	Children's Home Society of Minnesota	Rolling Hills	Elimination	Lutheran Social Service Consolidated
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 38,399,443	$ 935,224	$ 324,881	$ -	$ 39,659,548
Promises to Give, Net	1,195,221	304,216	-	-	1,499,437
Accounts Receivable, Net	16,757,648	131,331	12,371	(65,510)	16,835,840
Government Grant Receivable, Net	8,680,737	455,896	-	-	9,136,633
Other Current Assets	1,501,238	313,610	112,159	-	1,927,007
Accounts Receivable from LSS Under Management Agreement	-	27,524	-	(27,524)	-
Total Current Assets	66,534,287	2,167,801	449,411	(93,034)	69,058,465
Net Land, Building, and Equipment	52,027,086	5,273,893	8,858,696	-	66,159,675
Right-of-Use Asset, Net - Finance	866,448	-	-	-	866,448
Right-of-Use Asset, Net - Operating	6,927,388	-	-	-	6,927,388
Investments	9,325,518	8,598,571	-	-	17,924,089
Goodwill	1,454,207	-	-	-	1,454,207
Long-Term Promises to Give	1,417,512	-	-	-	1,417,512
Other Assets Limited to Use	212,403	-	35,956	-	248,359
Other Assets	2,084,284	-	756,646	-	2,840,930
Beneficial Interest in Perpetual Trust	3,803,050	1,989,725	-	-	5,792,775
Total Assets	$ 144,652,183	$ 18,029,990	$ 10,100,709	$ (93,034)	$ 172,689,848
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable, Accrued Liabilities, and Deferred Income	$ 7,347,984	$ 593,627	$ 1,135,394	$ (810,894)	$ 8,266,111
Borrowing Under Line of Credit	-	-	-	-	-
Accrued Payroll, Benefits, Taxes, and Withholding	16,062,811	455,796	-	-	16,518,607
Lease Liability - Current Portion	2,675,583	-	-	-	2,675,583
Current Portion of Long-Term Debt	707,230	93,034	74,872	(93,034)	782,102
Total Current Liabilities	26,793,608	1,142,457	1,210,266	(903,928)	28,242,403
Accrued Pension Liabilities	5,422,687	-	-	-	5,422,687
Obligation Under Trust Agreement	987,701	-	-	-	987,701
Conditional Grants, Long-Term	6,820,580	-	-	-	6,820,580
Lease Liability - Long-Term Portion	5,158,932	-	-	-	5,158,932
Long-Term Debt, Less Current Portion	7,638,254	-	3,053,059	-	10,691,313
Total Liabilities	52,821,762	1,142,457	4,263,325	(903,928)	57,323,616
NET ASSETS					
Net Assets Without Donor Restrictions	63,829,967	5,673,584	5,837,384	810,894	76,151,829
Net Assets With Restrictions	28,000,454	11,213,949	-	-	39,214,403
Total Net Assets	91,830,421	16,887,533	5,837,384	810,894	115,366,232
Total Liabilities and Net Assets	$ 144,652,183	$ 18,029,990	$ 10,100,709	$ (93,034)	$ 172,689,848

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2024 AND 2023

	2023				
	Lutheran Social Service	Children's Home Society of Minnesota	Rolling Hills	Elimination	Lutheran Social Service Consolidated
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 37,840,908	$ 889,974	$ 294,870	$ -	$ 39,025,752
Promises to Give, Net	282,930	130,500	-	-	413,430
Accounts Receivable, Net	12,247,012	335,960	4,083	(218,930)	12,368,125
Government Grant Receivable, Net	6,083,012	391,499	-	-	6,474,511
Other Current Assets	1,273,236	243,435	39,119	-	1,555,790
Accounts Receivable from LSS Under Management Agreement	-	229,485	-	(229,485)	-
Total Current Assets	57,727,098	2,220,853	338,072	(448,415)	59,837,608
Net Land, Building, and Equipment	51,038,748	5,491,338	9,275,036	-	65,805,122
Right-of-Use Asset, Net - Finance	108,472	-	-	-	108,472
Right-of-Use Asset, Net - Operating	7,314,297	8,949	-	-	7,323,246
Investments	7,852,578	7,901,724	-	-	15,754,302
Goodwill	1,454,207	-	-	-	1,454,207
Long-Term Promises to Give	827,323	-	-	-	827,323
Other Assets Limited to Use	164,746	-	150,274	-	315,020
Other Assets	1,692,929	-	682,658	-	2,375,587
Beneficial Interest in Perpetual Trust	3,333,701	1,828,849	-	-	5,162,550
Total Assets	$ 131,514,099	$ 17,451,713	$ 10,446,040	$ (448,415)	$ 158,963,437
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable, Accrued Liabilities, and Deferred Income	$ 5,344,417	$ 663,270	$ 1,155,936	$ (838,139)	$ 6,325,484
Borrowing Under Line of Credit	367,260	-	-	-	367,260
Accrued Payroll, Benefits, Taxes, and Withholding	14,836,613	366,513	-	-	15,203,126
Lease Liability - Current Portion	2,476,817	9,048	-	-	2,485,865
Current Portion of Long-Term Debt	546,993	363,586	71,234	(363,586)	618,227
Total Current Liabilities	23,572,100	1,402,417	1,227,170	(1,201,725)	24,999,962
Accrued Pension Liabilities	8,098,289	93,034	-	(93,034)	8,098,289
Obligation Under Trust Agreement	925,833	-	-	-	925,833
Conditional Grants, Long-Term	6,820,580	-	-	-	6,820,580
Lease Liability - Long-Term Portion	4,967,724	-	-	-	4,967,724
Long-Term Debt, Less Current Portion	8,564,373	-	3,085,251	-	11,649,624
Total Liabilities	52,948,899	1,495,451	4,312,421	(1,294,759)	57,462,012
NET ASSETS					
Net Assets Without Donor Restrictions	56,326,857	5,789,223	6,133,619	846,344	69,096,043
Net Assets With Restrictions	22,238,343	10,167,039	-	-	32,405,382
Total Net Assets	78,565,200	15,956,262	6,133,619	846,344	101,501,425
Total Liabilities and Net Assets	$ 131,514,099	$ 17,451,713	$ 10,446,040	$ (448,415)	$ 158,963,437

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND PUBLIC SUPPORT			
Revenue:			
Government Fees and Grants	$ 222,916,915	$ -	$ 222,916,915
Client Fees and Reimbursed Services	12,989,500	-	12,989,500
Investment Income	1,609,317	377,705	1,987,022
Other Gains	1,031,955	270	1,032,225
Total Revenue	238,547,687	377,975	238,925,662
Public Support:			
Contributions	4,589,237	6,254,933	10,844,170
Nongovernmental Grants	63,092	4,566,920	4,630,012
Church	592,441	340,981	933,422
United Way	14,091	250,979	265,070
Total Public Support	5,258,861	11,413,813	16,672,674
Net Assets Released from Restriction	8,304,269	(8,304,269)	-
Total Revenue and Public Support	252,110,817	3,487,519	255,598,336
EXPENSES			
Program Service:			
Services for Children/Youth/Families/CFCL	44,109,584	-	44,109,584
Services for Older Adults	20,727,429	-	20,727,429
Services for People with Disabilities	154,045,332	-	154,045,332
Total Program Service Expenses	218,882,345	-	218,882,345
Support Service:			
Management and General	22,520,224	-	22,520,224
Fundraising	4,897,995	-	4,897,995
Total Support Service Expenses	27,418,219	-	27,418,219
Total Expenses	246,300,564	-	246,300,564
CHANGE IN NET ASSETS - OPERATIONS	5,810,253	3,487,519	9,297,772
NONOPERATING			
Pass-Through Revenues	18,500,737	-	18,500,737
Pass-Through Expenditures	(18,500,737)	-	(18,500,737)
Total	-	-	-
Additional Pension Increase	1,475,602	-	1,475,602
Change in Value of Split-Interest Agreements	(9,227)	85,695	76,468
Change in Value of Trusts	-	362,212	362,212
Change in Value of Investments	116,951	2,815,880	2,932,831
Change in Value of Beneficial Interest Holdings	-	57,715	57,715
Noncontrolling Interest of Rolling Hills-St. Paul Apartments LP	(337,793)	-	(337,793)
Change in Net Assets Nonoperating	1,245,533	3,321,502	4,567,035
CHANGE IN NET ASSETS	7,055,786	6,809,021	13,864,807
Net Assets - Beginning of Year	69,096,043	32,405,382	101,501,425
NET ASSETS - END OF YEAR	$ 76,151,829	$ 39,214,403	$ 115,366,232

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND PUBLIC SUPPORT			
Revenue:			
Government Fees and Grants	$ 197,530,999	$ -	$ 197,530,999
Client Fees and Reimbursed Services	11,233,794	(2,040)	11,231,754
Investment Income	986,836	221,173	1,208,009
Other Gains	1,118,344	3,000	1,121,344
Total Revenue	210,869,973	222,133	211,092,106
Public Support:			
Contributions	4,273,905	4,621,197	8,895,102
Nongovernmental Grants	128,811	2,406,045	2,534,856
Church	376,098	1,598,898	1,974,996
United Way	16,305	198,091	214,396
Total Public Support	4,795,119	8,824,231	13,619,350
Net Assets Released from Restriction	10,384,163	(10,384,163)	-
Total Revenue and Public Support	226,049,255	(1,337,799)	224,711,456
EXPENSES			
Program Service:			
Services for Children/Youth/Families/CFCL	40,569,148	-	40,569,148
Services for Older Adults	18,922,187	-	18,922,187
Services for People with Disabilities	136,387,441	-	136,387,441
Total Program Service Expenses	195,878,776	-	195,878,776
Support Service:			
Management and General	19,712,233	-	19,712,233
Fundraising	4,088,124	-	4,088,124
Total Support Service Expenses	23,800,357	-	23,800,357
Total Expenses	219,679,133	-	219,679,133
CHANGE IN NET ASSETS - OPERATIONS	6,370,122	(1,337,799)	5,032,323
NONOPERATING			
Pass-Through Revenues	15,870,191	-	15,870,191
Pass-Through Expenditures	(15,870,191)	-	(15,870,191)
Total	-	-	-
Additional Pension Increase	2,160,804	-	2,160,804
Change in Value of Split-Interest Agreements	(4,921)	117,376	112,455
Change in Value of Trusts	-	176,000	176,000
Change in Value of Investments	53,067	1,239,991	1,293,058
Change in Value of Beneficial Interest Holdings	-	118,801	118,801
Noncontrolling Interest of LSS Park Avenue Apartment LP and Rolling Hills-St. Paul Apartments LP	(611,551)	-	(611,551)
Change in Net Assets Nonoperating	1,597,399	1,652,168	3,249,567
CHANGE IN NET ASSETS	7,967,521	314,369	8,281,890
Net Assets - Beginning of Year	61,128,522	32,091,013	93,219,535
NET ASSETS - END OF YEAR	$ 69,096,043	$ 32,405,382	$ 101,501,425

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

2024

	Program Services				Support Services		
	Children/Youth Families/CFCL	Older Adults	People with Disabilities	Total Program Service	Management General	Fundraising	Total
Salaries	$ 22,687,200	$ 8,959,148	$ 53,931,452	$ 85,577,800	$ 14,008,875	$ 2,456,343	$ 102,043,018
Employee Benefits and Payroll Taxes	6,050,157	2,363,471	14,786,271	23,199,899	3,580,920	647,539	27,428,358
Total Personnel Costs	28,737,357	11,322,619	68,717,723	108,777,699	17,589,795	3,103,882	129,471,376
Professional Fees and Contract Services	2,566,871	274,964	583,793	3,425,628	2,087,841	385,029	5,898,498
Supplies	229,751	607,619	488,775	1,326,145	26,349	6,629	1,359,123
Communication	795,906	436,726	824,967	2,057,599	351,133	1,143,615	3,552,347
Occupancy	3,582,025	763,563	4,299,395	8,644,983	550,424	100,839	9,296,246
Equipment	403,107	229,831	241,680	874,618	29,406	7,898	911,922
Transportation	454,730	626,434	1,764,845	2,846,009	177,561	51,125	3,074,695
Staff Development	659,468	133,066	602,962	1,395,496	925,025	42,920	2,363,441
Client and Volunteer Expense	3,721,475	6,037,704	75,494,416	85,253,595	62,035	8,028	85,323,658
Other	244,511	241,788	(1,606)	484,693	515,860	48,030	1,048,583
Total Expense Before Depreciation	41,395,201	20,674,314	153,016,950	215,086,465	22,315,429	4,897,995	242,299,889
Depreciation	2,669,213	38,689	983,562	3,691,464	199,694	-	3,891,158
Lease Amortization	45,170	14,426	44,820	104,416	5,101	-	109,517
Total Expense	$ 44,109,584	$ 20,727,429	$ 154,045,332	$ 218,882,345	$ 22,520,224	$ 4,897,995	$ 246,300,564

2023

	Program Services				Support Services		
	Children/Youth Families/CFCL	Older Adults	People with Disabilities	Total Program Service	Management General	Fundraising	Total
Salaries	$ 21,241,156	$ 8,215,744	$ 49,282,145	$ 78,739,045	$ 12,337,839	$ 2,099,438	$ 93,176,322
Employee Benefits and Payroll Taxes	5,434,404	2,046,769	13,241,046	20,722,219	2,812,705	537,594	24,072,518
Total Personnel Costs	26,675,560	10,262,513	62,523,191	99,461,264	15,150,544	2,637,032	117,248,840
Professional Fees and Contract Services	1,987,907	354,391	587,419	2,929,717	1,584,643	135,379	4,649,739
Supplies	250,041	644,724	515,194	1,409,959	29,017	5,451	1,444,427
Communication	850,094	457,929	802,742	2,110,765	284,683	993,792	3,389,240
Occupancy	3,034,324	768,915	4,375,352	8,178,591	762,906	134,817	9,076,314
Equipment	405,374	206,627	296,153	908,154	27,354	22,866	958,374
Transportation	355,120	721,098	1,977,127	3,053,345	154,168	42,414	3,249,927
Staff Development	499,689	117,155	585,421	1,202,265	800,579	72,092	2,074,936
Client and Volunteer Expense	3,844,234	5,299,103	63,297,466	72,440,803	64,999	5,455	72,511,257
Other	284,966	54,922	435,553	775,441	609,113	38,826	1,423,380
Total Expense Before Depreciation	38,187,309	18,887,377	135,395,618	192,470,304	19,468,006	4,088,124	216,026,434
Depreciation	2,365,211	34,810	927,518	3,327,539	244,227	-	3,571,766
Lease Amortization	16,628	-	64,305	80,933	-	-	80,933
Total Expense	$ 40,569,148	$ 18,922,187	$ 136,387,441	$ 195,878,776	$ 19,712,233	$ 4,088,124	$ 219,679,133

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 13,864,807	$ 8,281,890
Change in Value of Split-Interest Agreements	(67,240)	(106,749)
Change in Value of Trusts	(825,759)	(572,544)
Adjustment for Pension Liability	(2,675,602)	(3,360,804)
Increase in Accrued Interest	93,301	92,627
Restricted Contributions for Endowment	(18,667)	(35,874)
Change in Allowance for Credit Losses	260,124	554,697
Realized and Unrealized Gain on Investments	(2,637,909)	(971,018)
Depreciation	4,323,277	4,202,833
Amortization - Leases	100,568	80,933
Amortization - Other	92,361	47,246
Gain on Sale of Land, Building, and Equipment	-	(40,499)
(Increase) in Accounts Receivable	(4,727,839)	(664,779)
(Increase) in Government Grant Receivable	(2,662,122)	(91,552)
(Increase) Decrease in Promises to Give	(1,676,196)	562,805
(Increase) in Other Assets	(702,659)	(556,207)
Increase (Decrease) in Current Liabilities	3,256,110	(616,060)
Lease Transition Adjustment	(81,762)	85,224
Net Cash Provided by Operating Activities	5,914,793	6,892,169
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(226,048)	(949,289)
Proceeds from Sale of Investments	694,170	1,285,174
Proceeds from Sale of Land, Building, and Equipment	-	83,348
Distributions from Trusts and Split Interest Agreements	257,402	250,190
Capital Expenditures	(4,677,830)	(3,962,519)
Net Cash Used by Investing Activities	(3,952,306)	(3,293,096)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of Credit Payments	(367,260)	(639,532)
Long-Term Debt Payments	(980,098)	(3,192,847)
Restricted Contributions for Endowment	18,667	35,874
Net Cash Used by Financing Activities	(1,328,691)	(3,796,505)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	633,796	(197,433)
Cash and Cash Equivalents - Beginning of Year	39,025,752	39,223,185
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 39,659,548	$ 39,025,752
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 293,246	$ 379,485

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lutheran Social Service of Minnesota and Affiliates (the Organization) is one of the largest statewide private social service organizations in Minnesota and is affiliated with the six Minnesota synods of the Evangelical Lutheran Church in America. The consolidated financial statements of the Organization include the following Affiliates:

- Children's Home Society of Minnesota
- Lutheran Social Service of Minnesota Foundation
- Rezek House LLC
- LSS Townhomes LLC
- LSS Supportive Housing LLC
- Partners in Community Supports, Inc.
- CFCL LLC
- LSS Development LLC
- LSS Park Avenue Apartments LP
- Park Avenue LP LLC
- RH-St. Paul Apartments LP
- LSS Rolling Hills LLC
- CFCL Duluth LLC

Program services are grouped into three service categories, which are:

- Children, Youth, Families and the Center for Changing Lives
- Services for Older Adults
- People with Disabilities

The Organization has over 350 program units in over 300 locations in the state of Minnesota that provided services to more than 91,000 persons in 2024.

Children's Home Society of Minnesota (CHS) is incorporated as a nonprofit organization. CHS exists to help children thrive, and to build, strengthen, and sustain individual, family, and community life. CHS was affiliated with the Organization on October 1, 2014. LSS has control of up to 70% of CHS's board of directors. In addition, the Organization has rented office space from CHS. The effect of these intercompany transactions, including management fees, the leasing of space, and other expenditures, has been eliminated from the Organization's 2024 and 2023 consolidated financial statements. The year-end of CHS is June 30, which differs from the Organization's year-end of September 30.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Are not restricted by donors, or the donor-imposed restrictions have expired. Net assets without donor restrictions represent funds that are fully available, at the discretion of management and the board of directors for the Organization to utilize in any of its programs or supporting services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Are comprised of funds subject to stipulations imposed by donors. 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 the donor, as well as certain income earned on net assets with donor restrictions that has not yet been appropriated for expenditure by the Organization's board of directors. Other donor-imposed restrictions are perpetual on nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At times, such deposits may be in excess of Federal Deposit Insurance Corporation insurance limits. At times, the investment portfolio may contain cash and cash equivalents that are included in investments in the consolidated statements of financial position.

Promises to Give

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promises to give is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Accounts Receivables and Allowance for Credit Losses

Accounts receivables are stated at net realizable value. The Organization determines expected credit losses for receivables based on historical experience, current economic conditions, forward-looking information and management's evaluation of individual outstanding receivables.

Net Land, Buildings, and Equipment

Property and equipment acquisitions are recorded at cost. Donated items are recorded at fair value on the date received. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The Organization's capitalization threshold for assets with useful life of greater than one year is $1,500.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Land, Buildings, and Equipment (Continued)

Artwork has been donated to the Organization strictly for the enjoyment of people we serve and other stakeholders. Such donations are recorded at fair market value. These assets are not depreciated but are evaluated annually for impairment.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Investments

The Organization invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported.

Goodwill

The Organization acquired controlling interest in Partners in Community Supports, Inc. (PICS) effective April 1, 2008 recognizing goodwill in the amount of $729,207.

During fiscal year 2010, the Organization purchased substantially all the assets, excluding real estate, of Empowerment Services Inc. (ESI), a Minnesota corporation, recognizing goodwill in the amount of $350,000.

On June 30, 2013, PICS acquired the customers of two other Fiscal Support entities (Dungarvin & CCP) recognizing an additional $300,000 in goodwill.

In fiscal year 2016, LSS acquired two group homes located in Elk River from Opportunity Partners recognizing $75,000 in goodwill from the transaction.

The Organization does not amortize goodwill. Goodwill is tested for impairment using a qualitative assessment to determine whether it is more likely than not that the fair value is less than its carrying amount.

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Deferred Financing Costs

Deferred financing costs consist of finance and closing costs of tax-exempt revenue bonds. These amounts are being amortized over the life of the related liability. These costs are presented net with the related long-term debt (Note 9).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Interest Agreements

The Organization is named as a beneficiary in various gift annuities, charitable remainder trusts, and unitrusts. Upon notification of the gift, an asset is recorded for the difference between the fair value of those assets and the liability under the gift contracts with donors. The amount expected to be received is established at the time of the contribution using life expectancy actuarial tables, expected investment returns and annuity payments, and is revalued at the end of each fiscal year. Actual gains and losses resulting from the annual revaluation of these obligations are reflected as with donor restrictions, consistent with the method used to initially record the contributions.

The value of these gifts was $459,090 and $391,850 at September 30, 2024 and 2023, respectively. The assets are recorded in the Other Assets on the consolidated statements of financial position.

The Organization became the trustee for the Pittman Trust in 2007. The trust is held for 20 years. The trust provides that the lower of 8% of trust assets or the total interest and dividends earned by the trust will be distributed to the remainders. At the end of 20 years, the trust will pay out to the Organization. The value of the trust, as of 2024, is booked at present value of $1,982,862 as an asset of $2,970,564 and an offsetting liability of $987,701 for the value of the future obligations under the trust. As of 2023, the value of the trust was booked at present value of $1,574,540, as an asset of $2,500,373 and an offsetting liability of $925,833 for the value of the future obligations under the trust. The Pittman Trust assets are recorded in the Investments line and the Pittman Trust liability is recorded in the Obligation Under Trust Agreement line on the consolidated statements of financial position.

Conditional Grants

Forgivable loans are considered a conditional contribution. Loan proceeds received are recorded as a long-term liability until the barrier is met on the maturity date of the forgivable loan. Revenue from these loans is recognized upon the maturity date.

Government Contracts

Government contracts are recorded as revenue when earned. The rates for the waivered service programs are determined each year through negotiations with various counties in the state of Minnesota. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred income.

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

The Organization receives a significant portion of its governmental service fees from Medicaid, Medical Assistance, Minnesota Supplemental Assistance, Social Security, and Supplemental Security income which are subject to regulated rate increases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption Fees

Adoption fee revenue is included as a part of Client Fees and Reimbursed Services on the consolidated statements of activities. Revenue recognition of adoption fees occurs as follows: half of the initial coordination fees are recognized at the initiation of the adoption process; the remaining portion is amortized over 16 months, management's estimated average length of time until an adoption is completed.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor.

The Organization reports gifts as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Advertising Expenses

Advertising expenditures are expensed as incurred. Advertising expense for the years ended September 30, 2024 and 2023 totaled $447,102 and $369,660, respectively.

Functional Expense Allocation

Salaries and related benefits are allocated based on employees' and management's direct time spent on program or support activities or the best estimate of time spent. Occupancy and depreciation are allocated based on direct program or support service usage. Other expenses, such as professional fees and staff development, are directly identified to specific programs or administrative functions.

Tax-Exempt Status

Lutheran Social Service of Minnesota, Lutheran Social Service of Minnesota Foundation, Children's Home Society of Minnesota, and Partners in Community Supports, Inc. (PICS) have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute. Rezek House LLC, LSS Townhomes LLC, LSS Supportive Housing LLC, CFCL LLC, CFCL Duluth LLC, and Park Avenue LP LLC are single member limited liability companies, the activities of which are reported within the activities of the Organization as exempt activities. The Organization has been classified as an organization that is a public charity under the IRC and charitable contributions by the donors are tax deductible.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status (Continued)

LSS Park Avenue Apartments LP and LSS Development LLC are taxable entities formed as part of the financing of Park Avenue Apartments. The project provides low-income individuals and families a quality place to live at below market rates. After the tax credit financing period ends, the Organization had the option to acquire the property at a bargain purchase price from their financing partner. The net revenue and expense activities of LSS Park Avenue Apartments LP were reflected as Noncontrolling Interest of LSS Park Apartments LP on the Statement of Activities. Effective September 1, 2023, the financing partner interest was acquired by Park Avenue LP LLC and all subsequent activities of LSS Park Avenue Apartments LP are presented as operational revenue and expense.

RH-St. Paul Apartments LP and LSS Rolling Hills LLC are taxable entities formed as a part of the financing of Rolling Hills Apartments. This project, like Park Avenue Apartments, provides low-income individuals and families a quality place to live at below market rates. RH-St. Paul Apartments LP is a partnership between LSS Rolling Hills LLC (a single member LLC of Lutheran Social Service of Minnesota) and RH Developer LLC (a for-profit company). The net revenue and expense activity of RH-St. Paul Apartments LP is presented as Noncontrolling Interest of Rolling Hills-St. Paul Apartments LP on the Statement of Activities.

The Organization has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization has no current obligation for unrelated business income tax. The Organization’s tax returns are subject to review and examination by federal and state authorities.

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability.

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. 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 right of use assets on the consolidated statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING 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.

Use of Estimates

The preparation of the consolidated 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 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.

Nonoperating Activities

Nonoperating activities consist of gains and losses and other occurrences that fall outside of the normal operations of the Organization.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Accounting Standard Updates

The Organization adopted FASB ASU 2013-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL), as amended, which modified the measurement of expected credit losses. The adoption of this Standard did not have a material impact on the Organization’s consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 4, 2025**February 4, 2025**, the date the consolidated financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable at September 30 are as follows:

	2024	2023	2022
Accounts Receivable	$ 17,081,202	$ 12,922,822	$ 12,494,816
Less: Allowance for Credit Losses	(245,362)	(554,697)	(236,773)
Total Accounts Receivable	$ 16,835,840	$ 12,368,125	$ 12,258,043

NOTE 3 PROMISES TO GIVE

Promises to give at September 30, 2024 and 2023 consist of commitments from various donors. The discount rate has been imputed at 8% and 8.5% which approximates the Organization's risk free borrowing rate at September 30, 2024 and 2023, respectively. The allowance for uncollectible accounts was $2,416 and $13,000 for 2024 and 2023, respectively.

	2024	2023
Unconditional Promises to Give	$ 3,134,967	$ 1,409,967
Unamortized Discount	(215,602)	(156,214)
Allowance for Uncollectible Accounts	(2,416)	(13,000)
Total	$ 2,916,949	$ 1,240,753

Promises to give are recorded on the consolidated financial statements as follows:

	2024	2023
Amounts Due in:		
Less Than One Year	$ 1,501,853	$ 426,430
Greater Than One Year	1,633,114	983,537
Total	$ 3,134,967	$ 1,409,967

Promises to give from board members and employees totaled $849,070 and $914,656 at September 30, 2024 and 2023, respectively.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these financial instruments. The fair value of promises to give, which is based on discounted cash flows using current interest rates, approximates the carrying value. The carrying values of investments and the beneficial interest in perpetual trust, which are the fair value, are based upon fair value measurements.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy

The Organization has categorized its financial instruments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets recorded on the consolidated statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in nonactive markets (examples include corporate and municipal bonds, which trade infrequently);
- pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following tables present the Organization's value for those investments, excluding money market funds, measured at fair value on a recurring basis as of September 30:

	2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 10,174,551	$ -	$ -	$ 10,174,551
Fixed Income	3,194,326	-	-	3,194,326
Bonds	-	530,407	-	530,407
Real Asset Securities	190,302	-	-	190,302
Total Investments Measured at Fair Value on a Recurring Basis	$ 13,559,179	$ 530,407	$ -	$ 14,089,586
Beneficial Interest in Perpetual Trust	$ -	$ -	$ 5,792,775	$ 5,792,775

	2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 6,730,679	$ -	$ -	$ 6,730,679
Fixed Income	4,915,109	-	-	4,915,109
Bonds	-	456,463	-	456,463
Real Asset Securities	171,710	-	-	171,710
Total Investments Measured at Fair Value on a Recurring Basis	$ 11,817,498	$ 456,463	$ -	$ 12,273,961
Beneficial Interest in Perpetual Trust	$ -	$ -	$ 5,162,550	$ 5,162,550

The totals in the previous table do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total investments:

	2024	2023
Total Investments	$ 17,924,089	$ 15,754,302
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(352,163)	(268,116)
Dynamic Asset Allocation Overlay	(2,212,363)	(2,000,679)
Alternative Investments	(1,269,977)	(1,211,546)
Total Investments Measured at Fair Value on a Recurring Basis	$ 14,089,586	$ 12,273,961

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Additional information on how the Organization measures fair value is as follows:

Investments – Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Beneficial Interest in Perpetual Trusts – Perpetual Trusts are recorded at fair value on a recurring basis. Fair value measurement is estimated based upon the Organization's percentage interest in the fair value of the trust's assets and, accordingly, are classified using Level 3 inputs. The underlying assets in the trusts are valued based upon quoted prices.

Level 3 Assets

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended September 30:

	Beneficial Interest in Perpetual Trust
Balance as of October 1, 2023	$ 5,162,550
Distribution	(257,402)
Additions	-
Change in Value	887,627
Balance as of September 30, 2024	$ 5,792,775
Balance as of October 1, 2022	$ 4,818,265
Distribution	(250,190)
Additions	-
Change in Value	594,475
Balance as of September 30, 2023	$ 5,162,550

The following is a summarization of the level 3 significant unobservable inputs:

Instrument	Fair Value 2024	Fair Value 2023	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Perpetual Trust	$ 5,792,775	$ 5,162,550	Fair Market Value of Trust Investments	Value of of Underlying Assets

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 Assets (Continued)

The underlying assets consist of securities that are classified as Level 3 assets and the Organization's fair value is determined by taking the fund or trust's total value multiplied by their interest in the fund or trust, as stated in the fund and trust document.

Net Asset Value Per Share

The Organization invests primarily in investment funds, limited partnerships, or interest-bearing securities, referred to collectively for this purpose as investment funds. In situations where the investment fund does not have readily determinable net asset value per share or its equivalent investment funds are presented in the accompanying consolidated financial statements at fair value as determined under FASB ASC 820; *Fair Value Measurements and Disclosures*. The following table lists investments in investment funds by major category:

	Net Asset Value 2024	Net Asset Value 2023	Underfunded Commitments	Redemption Frequency	Redemption Notice Period
Dynamic Asset Allocation Overlay	$ 2,212,363	$ 2,000,679	$ -	Monthly	90 Days
Alternative Investments	1,269,977	1,211,546	-	Monthly	30 Days
Total	$ 3,482,340	$ 3,212,225	$ -		

Basis for Fair Value Measurements

Dynamic Asset Allocation Overlay

Dynamic asset allocation overlay funds include investments in two portfolios that no longer have active tickers. The investment objective of these two portfolios is to moderate the volatility of an equity-oriented asset allocation over the long term. Accordingly, the portfolios may invest in a diversified portfolio of securities. The fund strikes a daily net asset value (NAV), but because these portfolios are now private, this is not published on the NASDAQ.

Alternative Investments

Alternative investments represent ownership interest in a fund that exists to seek long-term capital appreciation. The fund seeks to achieve its investment objective primarily by allocating its assets among investments in a diversified portfolio of private investment vehicles, commonly referred to as hedge funds. The fund pursues the following strategies: long/short equity, event driven, credit/distressed, emerging markets, global macro, and other strategies. The fund is valued and traded monthly and generally uses the NAV provided by the underlying portfolios to determine the monthly value of the fund.

NOTE 5 LAND, BUILDING, AND EQUIPMENT

Cost and related accumulated depreciation at September 30 were:

	2024		2023	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 8,208,881	$ -	$ 8,064,081	$ -
Land Improvements	2,285,812	1,266,440	2,285,812	1,503,163
Construction in Process	694,164	-	237,748	-
Building and Building Improvements	96,592,708	43,135,978	93,778,594	39,457,466
Equipment	18,115,624	15,980,809	17,206,741	15,175,097
Vehicles	730,583	419,402	440,393	407,053
Donated Artwork	334,532	-	334,532	-
Total	$ 126,962,304	$ 60,802,629	$ 122,347,901	$ 56,542,779
Net Land, Building, and Equipment	$ 66,159,675		$ 65,805,122	

NOTE 6 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization has two perpetual trusts included in net assets with donor restrictions. Under the terms of the trusts, the Organization has the irrevocable right to receive the income on trust assets, subject to certain limitations, but will never receive the assets held in trust. The unrealized gains or losses and the undistributed earnings on the trusts are reported as additions or subtractions to the balance of net assets with donor restrictions.

The Anderson Trust was valued at $3,803,050 and $3,333,701 at September 30, 2024 and 2023, respectively. The distributed income from this trust is to be used for children and adults with disabilities within a 50-mile radius of the old Vasa home located near Red Wing, Minnesota. Income distributions from the trust were $177,402 and $170,190 for the years ended September 30, 2024 and 2023, respectively.

The Humphrey Trust was valued at $1,989,725 and $1,828,849 at September 30, 2024 and 2023, respectively. The Organization was named as a 5% beneficiary of the trust and receives 5% of the designated distributions from the trust. Distributions from the trust were $80,000 for the years ended September 30, 2024 and 2023, respectively.

NOTE 7 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Defined Benefit Pension Plan

The Organization has a noncontributory defined benefit pension plan. The Organization froze its defined benefit pension plan for all participants. The plan provided for 100% vesting after five years of service or attainment of the normal retirement age of 65, with reduced compensation in cases of early retirement. Benefits are based on credited years of service and the average of the employee's highest compensation over a consecutive 36-month period during the 10 years prior to retirement.

NOTE 7 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

The measurement dates used for the plan disclosures are as of September 30, 2024 and 2023 and for the years then ended.

The changes in the projected benefit obligation are as follows:

	2024	2023
Change in Projected Benefit Obligation:		
Projected Benefit Obligation at Beginning of Year	$ 29,777,376	$ 31,577,395
Interest Cost	1,620,156	1,608,553
Actuarial Gain (Loss)	2,106,906	(700,890)
Benefits Paid	(2,740,132)	(2,707,682)
Projected Benefit Obligation at End of Year	$ 30,764,306	$ 29,777,376

	2024	2023
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	$ 21,679,087	$ 20,118,302
Actual Return on Plan Assets	5,202,664	3,068,467
Employer Contribution	1,200,000	1,200,000
Benefits Paid	(2,740,132)	(2,707,682)
Fair Value of Plan Assets at End of Year	$ 25,341,619	$ 21,679,087
Funded Status of the Plan:		
Benefit Obligation	$ 30,764,306	$ 29,777,376
Fair Value of Plan Assets	25,341,619	21,679,087
Excess of Benefit Obligation Over		
Funded Status of the Plan at End of Year	$ (5,422,687)	$ (8,098,289)

	2024	2023
Components of Net Periodic Benefit Costs:		
Interest Cost	$ 1,620,156	$ 1,608,553
Expected Return on Plan Assets	(1,258,323)	(1,162,512)
Amortization of Net Loss	1,149,237	631,739
Net Periodic Pension Cost	$ 1,511,070	$ 1,077,780
Underfunded Plan Information:		
Projected Benefit Obligation at End of Year	$ 30,764,306	$ 29,777,376
Accumulated Benefit Obligation at End of Year	30,764,306	29,777,376
Fair Value of Assets at End of Year	25,341,619	21,679,087

NOTE 7 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Weighted average assumptions used to determine net periodic benefit cost are as follows:

	2024	2023
Actuarial Assumptions		
Assumptions Used to Determine Benefit Obligations at September 30:		
Assumed Discount Rate	5.20%	5.70%
Assumed Annual Increase in Salaries	-	-
Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended September 30:		
Assumed Discount Rate	5.70%	5.32%
Expected Long-Term Return on Plan Assets	6.00%	6.00%
Assumed Annual Increase in Salaries	-	-

Investment Allocation/Basis Used to Determine Expected Long-Term Rate of Return

This investment policy is to enhance the value of Defined Benefit Plan funds held in the portfolio(s) and at the same time provide a dependable, increasing source of income, which will be used to support benefit distributions of the plan. The portfolio shall be composed of diversified assets, including both equities and fixed-income investments. The equities are designed to provide current income, growth of income and appreciation of principal. The fixed-income investments are intended to provide a predictable and reliable source of interest income while reducing the volatility of the portfolio. As a long-term policy guideline, equity investments will constitute 75% of plan assets and fixed income (bonds and cash) 25% of the portfolio.

The percentage of the fair value of total plan assets held as of September 30, 2024 and 2023 (the measurement date) by asset category is as follows:

	2024	2023
The Plan Assets are Invested as Follows:		
Equity Securities and Mutual Funds	94%	95%
Debt Securities and Fixed Income Mutual Funds	6%	5%

NOTE 7 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Fair Value Measurement of Plan Assets

The plan uses fair value measurement to record fair value adjustments to certain assets and to determine fair value disclosures. The following table presents the fair value hierarchy for the balances of the assets of the plan measured at fair value on a recurring basis as of September 30:

	2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 10,637,669	$ -	$ -	$ 10,637,669
Mutual Funds	5,580,237	-	-	5,580,237
Fixed Income Mutual Funds	6,644,297	-	-	6,644,297
Bonds	-	1,467,082	-	1,467,082
Total	$ 22,862,203	$ 1,467,082	$ -	$ 24,329,285

	2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 8,990,567	$ -	$ -	$ 8,990,567
Mutual Funds	5,617,300	-	-	5,617,300
Fixed Income Mutual Funds	5,453,591	-	-	5,453,591
Bonds	-	1,020,430	-	1,020,430
Total	$ 20,061,458	$ 1,020,430	$ -	$ 21,081,888

The totals above do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total investments:

	2024	2023
Total Investments	$ 25,341,619	$ 21,679,087
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(1,012,334)	(597,199)
Total Investments Measured at Fair Value on a Recurring Basis	$ 24,329,285	$ 21,081,888

Current Funding and Estimated Future Benefit Payments

The Organization provided funding to the plan of $1,200,000 during the years ended 2024 and 2023.

NOTE 7 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Estimated future benefit payments, which reflect expected future services, are as follows:

Year Ending September 30,	Amount
2025	$ 2,786,035
2026	2,756,086
2027	2,714,889
2028	2,672,352
2029	2,642,663
2029-2032	12,140,093

Other Postretirement Benefits

The Organization also has a defined contribution 403(b) retirement savings plan that covers substantially all employees. Employees can elect to contribute a portion of their pretax earnings to the plan. Employees are eligible for participation in the plan upon employment. In 2024 and 2023, the Organization matched participant contributions by 50% up to the first 4% of eligible compensation. The plan was amended in fiscal 2005 to allow for employer discretionary contributions to be determined annually by the Organization's management. The discretionary contribution in 2024 and 2023 was 2%, respectively, of eligible compensation, respectively. Employees become fully vested in the employer match and discretionary contribution after five years of service. Expenses charged to the Organization's consolidated financial statements for this plan were $2,147,116 and $1,910,742 for the years ended September 30, 2024 and 2023, respectively.

NOTE 8 SELF-INSURED BENEFIT LIABILITIES

In 1992, a benefit fund was established for the Organization's self-funded employee medical, dental, and short-term disability plans. Under the plans, which are administered by the trust, contributions are made by the Organization and employees to pay claims, administrative costs, and commercial insurance premiums. The commercial insurance premiums (stop-loss insurance) cover individual medical claims in excess of $200,000 and aggregate claims over 120% of annual expected claims or $6,700,000. The self-insured medical, dental, and short-term disability expense recorded in the Organization's consolidated financial statements was $15,547,763 and $14,575,320 in 2024 and 2023, respectively. The Organization has recorded liabilities of $1,488,838 and $2,021,283 for claims incurred but not yet paid as of September 30, 2024 and 2023, respectively. The trust is a separate entity which is excluded from the Organization's consolidated financial statements.

The Organization became self-insured for workers' compensation on April 1, 1994. As of September 30 2024 and 2023, the Organization has recorded liabilities of $998,548 and $812,983, respectively, for claims incurred but not yet reported. In addition, the Organization has a $1,508,832 surety bond to secure amounts potentially required to be paid for workers' compensation. Consulting actuaries assist the Organization in determining its liability for self-insured claims.

NOTE 9 LONG-TERM DEBT AND LINE OF CREDIT

		2024		2023	
Description	Security	Face Value	Current Value	Face Value	Current Value
Note payable to Sunrise Bank, N.A. 3.90% Interest bearing Due March 26, 2030	Land and Buildings	$ 1,080,791	$ 1,080,791	$ 1,253,388	$ 1,253,388
Note payable to Sunrise Bank, N.A. 3.90% Interest bearing Due March 26, 2030	Land and Buildings	1,153,446	1,153,446	1,337,645	1,337,645
Note Payable to Hennepin County Housing and Redevelopment Authority Affordable Housing Incentive Fund, Noninterest Bearing, Forgivable in 2037 *	Land and Building	600,000	600,000	600,000	600,000
Note Payable to Sunrise Bank, N.A. 2.88% Interest bearing, Due September 8, 2025	Harmony House	212,643	212,643	222,838	222,838
Note Payable to Sunrise Bank, N.A. 3.26% Interest Bearing, Due May 18, 2026	LaVine McGregor	324,076	324,076	338,389	338,389
Note Payable to Sunrise Bank, N.A. 3.90% Interest Bearing, Due October 5, 2026	Grand Place	146,352	146,352	152,221	152,221
Note Payable to Sunrise Bank, N.A. 3.90% Interest Bearing Due July 9, 2031	Land and Building	155,427	155,427	159,811	159,811
Note Payable to Sunrise Bank, N.A. 3.90% Interest Bearing Due July 9, 2031	Land and Building	259,036	259,036	266,344	266,344
Note Payable to US Bank, 4.30% Interest Bearing Due October 1, 2024	Land and Building	-	-	424,013	424,013
Subtotal for Lutheran Social Service of Minnesota		3,931,771	3,931,771	4,754,649	4,754,649
Note Payable to City of St. Paul Housing and Redevelopment Authority, Interest at 2%, Principal and Interest Due through December 31, 2026	Land and Building	444,500	410,119	438,500	390,566
Subtotal for Rezek House LLC		444,500	410,119	438,500	390,566

NOTE 9 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

		2024		2023	
Description	Security	Face Value	Current Value	Face Value	Current Value
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Forgivable May 16, 2033*	Land and Buildings	$ 1,720,580	$ 1,720,580	$ 1,720,580	$ 1,720,580
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Due May 16, 2033	Land and Buildings	119,420	91,526	119,420	88,861
Note Payable to Family Housing Fund, Noninterest Bearing, Due May 16, 2033	Land and Buildings	130,000	100,736	130,000	97,801
Note Payable to Minnesota Community Development Authority, Interest at 1%, Principal and Interest Due May 16, 2033	Land and Buildings	364,000	301,573	361,000	292,785
Subtotal for LSS Townhomes LLC		2,334,000	2,214,415	2,331,000	2,200,027
Note Payable to Family Housing Fund, Noninterest Bearing, Due May 19, 2034	Land and Buildings	126,000	92,626	126,000	89,710
Note Payable to Hennepin County Housing and Redevelopment Authority, Interest at 1%, Principal and Interest Due May 19, 2034	Land and Buildings	312,975	248,425	310,375	240,604
Note Payable to City of Minneapolis, Interest at 1%, Principal and Interest Due May 19, 2034	Land and Buildings	306,354	243,215	303,809	235,560
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Due May 19, 2034	Land and Buildings	600,000	441,084	600,000	427,191
Note Payable to City of Minneapolis Noninterest Bearing, Forgivable May 19, 2034 *	Land and Buildings	100,000	100,000	100,000	100,000
Total for LSS Supportive Housing LLC		1,445,329	1,125,350	1,440,184	1,093,065
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Forgivable in 2046 *	Land and Buildings	4,200,000	4,200,000	4,200,000	4,200,000
City of Duluth Home Loan, Noninterest Bearing, Forgivable in 2046 *	Land and Buildings	200,000	200,000	200,000	200,000
Total Center for Changing Lives Duluth LLC		4,400,000	4,400,000	4,400,000	4,400,000

NOTE 9 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

		2024		2023	
Description	Security	Face Value	Current Value	Face Value	Current Value
Note Payable to Wells Fargo, N.A.; Interest at 4.30%, Due January 1, 2028	Center for Changing Lives - Building and Improvements	$ 1,487,482	$ 1,487,482	$ 1,573,468	$ 1,573,468
Total for LSS Center for Changing Lives		1,487,482	1,487,482	1,573,468	1,573,468
Note Payable to City of Minneapolis AHTF, Interest at 5.50%, Principal and Interest Due November 15, 2037	Park Avenue Apartments	1,234,007	1,234,007	1,170,274	1,170,274
Note Payable to Hennepin County AHIF, Interest at 1%, Principal and Interest Due November 15, 2037	Park Avenue Apartments	467,504	467,504	463,504	463,504
Total for Park Avenue Apartments		1,701,511	1,701,511	1,633,778	1,633,778
Note Payable to Sunrise Bank N.A, Interest at 4.50%, Due January 1, 2045	Rolling Hills Apartments	2,453,345	2,453,345	2,524,579	2,524,579
Note Payable to St. Paul City HRA (CDBG), Interest at 3%, Due December 1, 2045	Rolling Hills Apartments	68,577	68,577	66,589	66,589
Note Payable to MHFA, Noninterest Bearing, Due June 20, 2043	Rolling Hills Apartments	300,000	131,484	300,000	125,822
Note Payable to Family Housing Fund, Noninterest Bearing, Due June 20, 2043	Rolling Hills Apartments	200,000	87,656	200,000	83,881
Note Payable to Housing & Redevelopment Authority of St. Paul (Home Loan), Interest at 1%, Due June 20, 2045	Rolling Hills Apartments	1,050,008	519,975	1,040,572	492,736
Total for Rolling Hills Apartments		4,071,930	3,261,037	4,131,740	3,293,607
Total Long-Term Debt and Conditional Grants		19,816,523	18,531,685	20,703,319	19,339,160
Less: Conditional Grants		6,820,580	6,820,580	6,820,580	6,820,580
Total Debt		12,995,943	11,711,105	13,882,739	12,518,580
Less: Current Maturities of Long-Term Debt		782,102	782,102	618,227	618,227
Less: Debt Issuance Costs		N/A	237,690	N/A	250,729
Total Long-Term Debt, Excluding Current Maturities and Conditional Grants		$ 12,213,841	$ 10,691,313	$ 13,264,512	$ 11,649,624

* Conditional Grants

For below market loans the present value discount is imputed using rates between 3% and 5% depending on the year the loan was initiated.

NOTE 9 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Principal maturities for long-term debt are as follows:

Year Ending September 30,	Amount
2025	$ 782,102
2026	887,090
2027	729,232
2028	2,132,761
2029	670,728
Thereafter	6,509,192
Total	$ 11,711,105

Land and buildings with a net book value of $35,365,952 and $39,434,222 are pledged as collateral at September 30, 2024 and 2023, respectively, primarily on MHFA mortgage notes.

Lines of Credit

The Organization has a total of $10,000,000 of working capital lines of credit with U.S. Bank. The lines bear interest on outstanding borrowings at the bank's reference rate (6.6% at September 30, 2024) and matures on July 18, 2025. At September 30, 2024 and 2023, the amount outstanding was $-0-.

The Organization also has a line of credit with Sunrise Bank in the amount of $3,000,000. This line bears interest on outstanding borrowings at the bank's reference rate (7% at September 30, 2024) and matures on July 27, 2029. At September 30, 2024 and 2023, the amount outstanding was $-0 and $367,260, respectively.

The Organization has an additional $6,500,000 of working capital lines of credit with Sunrise Ban. The lines bear interest on outstanding borrowings at the bank's reference rate (7% at September 30, 2024) and mature on March 24, 2025. At September 30, 2024 and 2023, the amount outstanding was $-0-.

Rolling Hills

During 2013, RH-St. Paul Apartments LP established a construction loan at Sunrise Bank of up to $9.476 million for the Rolling Hills Project. This note is secured by real property owned by the partnership.

RH-St. Paul Apartments is a limited partnership consisting of the following general partners:

- LSS Rolling Hills LLC – a single member LLC of Lutheran Social Service of MN.
- RH Developer LLC – a for-profit company engaged in leasing and property management.

The balance outstanding on the loan as of September 30, 2024 and 2023 was $2,453,345 and $2,524,579, respectively. Interest accrues at 4.5% (updated to LIBOR plus 2.5% every five years) and principal payments are due until maturity on January 1, 2045.

NOTE 9 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Rolling Hills (Continued)

On October 2, 2014, NEF, the limited partner, made a capital contribution to the partnership in the amount of $6.4 million. The proceeds were used to pay down this loan.

NOTE 10 LEASES

The Organization has operating lease agreements for office space, residential facilities, and vehicles. The majority of these leases expire throughout the next five years.

The following table provides quantitative information concerning the Organization's leases for the years ended September 30:

	2024	2023
Operating Lease Cost	$ 2,904,840	$ 2,946,823
Operating Cash Flows from Operating Leases	2,894,394	2,928,666
Right-Of-Use Asset Obtained in Exchange for New Operating Lease Liabilities	2,216,350	1,107,116
Weight Average Remaining Lease Term - Operating Leases (in Years)	4.22	3.73
Weighted Average Discount Rate - Operating Leases	4.15%	4.12%
Finance Lease Cost		
Amortization of ROU Assets	$ 100,568	$ 80,933
Interest on Lease Liabilities	19,985	4,452
Finance - Financing Cash Flows	92,108	85,287
Operating Cash Flows from Finance Leases	19,985	4,452
Right-Of-Use Asset Obtained in Exchange for New Finance Lease Liabilities	858,544	126,052
Weight Average Remaining Lease Term - Finance Leases (in Years)	4.69	4.35
Weighted Average Discount Rate - Finance Leases	4.22%	3.90%

The future minimum lease payments under noncancelable leases with terms greater than one year are listed below as of September 30, 2024.

Years Ending September 30,	Finance	Operating
2025	$ 211,621	$ 2,668,172
2026	211,621	2,028,370
2027	211,621	1,278,128
2028	193,340	908,513
2029	113,593	475,261
Thereafter	28,288	133,386
Total	970,084	7,491,830
Less: Present Value Discount	(91,454)	(535,945)
Lease Liability	$ 878,630	$ 6,955,885

NOTE 11 NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Cash Restricted by Donors for Specific Program Use	$ 16,432,054	$ 12,154,540
Subject to Passage of Time:		
Split Interest Deferred Gifts/Trusts	2,441,954	1,966,390
Donations and Forgivable Loan Interest for Property	473,946	526,017
Beneficial Interest in Perpetual Trusts	5,792,775	5,162,550
Total	8,708,675	7,654,957
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	2,905,974	1,522,905
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Endowment Funds	11,167,700	11,072,980
Total Endowments	14,073,674	12,595,885
Total Net Assets with Donor Restriction	$ 39,214,403	$ 32,405,382

Net Assets Released from Restrictions

The net assets released from restrictions as of September 30 consist of the following:

	2024	2023
Purpose Restrictions	$ 7,666,711	$ 9,751,185
Appropriation of Endowment Earnings	637,558	632,978
Total	$ 8,304,269	$ 10,384,163

NOTE 12 ENDOWMENTS

The Organization has donor-restricted endowment funds established for the purpose of securing the Organization's long-term financial viability and continuing to meet the needs of the Organization. As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the Organization has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of the gifts to the perpetual endowment and the value of subsequent gifts to the perpetual endowment.

NOTE 12 ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were $-0- as of September 30, 2024 and 2023.

The Organization's Foundation board of directors has adopted an Investment and Distribution Policy for its endowments assets. The policy seeks to maintain the purchasing power of the endowment assets while providing a predictable funding stream to its programs. In addition, the organization has hired an outside investment manager to oversee the investment of the endowment funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

Return Objectives and Risk Parameters, Investment and Spending Policies for the Organization's Foundation

The investment policy provides a targeted mix of equity and income investments. Investment performance is benchmarked quarterly against the performance of the S&P 500 and the applicable bond fund indexes.

Annual distributions from the Endowment funds are targeted at 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end based upon the preceding the fiscal year in which the distribution is planned. In addition, actual investment performance is considered in the distribution decision.

Endowment net asset composition by type and changes in endowment net assets with donor restrictions for the years ended September 30 is as follows:

	With Donor Restrictions	
	2024	2023
Endowment Fund Balance, Beginning of Year	$ 12,595,885	$ 12,303,067
Contributions	18,667	35,874
Net Investment Return	2,096,680	889,922
Appropriations	(637,558)	(632,978)
Endowment Fund Balance, End of Year	$ 14,073,674	$ 12,595,885

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Organization provides Guardianship and Conservatorship services for vulnerable adults throughout the state of Minnesota. For these services, the court orders the appointment of a person or agency to act as a substitute decision maker for a person. The Organization follows the National Guardianship Association and the Minnesota Association for Guardianship Conservatorship standards. As of September 30, 2024 and 2023, the Organization was the guardianship or conservator of estates totaling $77,102,999 and $54,631,087, respectively.

LSS Pooled Trusts allow people with disabilities and/or their families to set aside money for additional needed expenses while protecting their public or private benefits such as Medicaid and Social Security. As of September 30, 2024 and 2023, assets held in the pooled trust amounted to $44,039,442 and $38,468,368, respectively.

The Organization is involved in legal action in regard to normal business activities. Management does not feel that these actions are material and pose a financial threat to the Organization and, accordingly, no liability is accrued at September 30, 2024 and 2023.

NOTE 14 LIQUIDITY AND AVAILABILITY

The Organization's liquidity management includes $19.5 million in lines of credit of which approximately $19.5 million is currently available. In the event of an unanticipated liquidity need, the Organization would draw from the lines of credit.

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, including amounts not available within one year of the consolidated statement of financial position date. Amounts not available include unappropriated earnings of the endowment funds that could be drawn upon if the governing boards of Lutheran Social Service of Minnesota or Children's Home Society of Minnesota approve that action.

	2024	2023
Cash, Accounts and Promises to Give and Investments as of September 30	$ 75,918,914	$ 74,036,120
Less:		
Contractual or Donor-Imposed Restrictions Making Financial Assets Unavailable for General Expenditures	(30,505,728)	(24,750,425)
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	$ 45,413,186	$ 49,285,695

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Lutheran Social Service of Minnesota and Affiliates
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of September 30, 2024, which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lutheran Social Service of Minnesota and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lutheran Social Service of Minnesota and Affiliates' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Social Service of Minnesota and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 4, 2025

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Lutheran Social Service of Minnesota and Affiliates
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lutheran Social Service of Minnesota and Affiliates' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lutheran Social Service of Minnesota and Affiliates' major federal programs for the year ended September 30, 2024. Lutheran Social Service of Minnesota and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lutheran Social Service of Minnesota and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative* Requirements*, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lutheran Social Service of Minnesota and Affiliates and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lutheran Social Service of Minnesota and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lutheran Social Service of Minnesota and Affiliates' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lutheran Social Service of Minnesota and Affiliates' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lutheran Social Service of Minnesota and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Lutheran Social Service of Minnesota and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Lutheran Social Service of Minnesota and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 4, 2025

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture:					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Community Health Board	222MN004W5003	$ -	$ 60,702
Child and Adult Care Food Program	10.558	MN Dept. of Education	2MN300061	-	8,490
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	MN Dept. of Human Services	GRK%219913	-	31,143
Emergency Food Assistance Program	10.569	Second Harvest Heartland	GRK%236830	-	158
Total Department of Agriculture				-	100,493
Department of Housing and Urban Development:					
Continuum of Care Program - Hearth Act	14.267			22,666	706,470
Continuum of Care Program - Hearth Act	14.267	Hearth Connection	41-1976959		159,663
Subtotal Continuum of Care Program					866,133
Housing Counseling Assistance Program	14.169	MN Homeowner Center	FY23-1008	-	104,368
Community Development Block Grants	14.218	City of Plymouth	B-24-MC-27-0009	-	3,114
Emergency Shelter Grants Program	14.231	Ramsey County	HSD000036	-	44,892
HOME Investment Partnership Program	14.239	City of Minneapolis	HD00000507	-	254,500
HOME Investment Partnership Program	14.239	City of Duluth CDBG	22726	-	200,000
Subtotal HOME Investment Partnership Program					454,500
				-	
Total Department of Housing and Urban Development				22,666	1,473,007
Department of Justice Programs:					
Services for Trafficking Victims	16.320			-	152,122
Edward Byrne Memorial Justice Assistance Grant Program	16.738	MN Dept. of Public Safety	A-JAG-2021-LSS-STP-016	-	88,807
Total Department of Justice Direct Programs				-	240,929
Department of State:					
US Refugee Admissions Program	19.510	Lutheran Immigration and Refugee Services	SPRMCO23CA0364	-	259,568
US Refugee Admissions Program	19.510	Lutheran Immigration and Refugee Services	SPRMCO23CA0363	-	2,044,351
Total Department of State				-	2,303,919
U.S. Treasury:					
COVID-19: Emergency Rental Assistance	21.023	MHFA	ERAE0115	-	149,991
Total U.S. Treasury				-	149,991
Department of Education:					
Education Stabilization Fund	84.425	MN Dept. of Education	GRK%230543	-	114,672
Total Department of Education				-	114,672
Department of Health and Human Services:					
Seeing and Exploring Life's Future (SELF) Pregnancy Prevention Program	93.060			-	302,187
Transitional Living for Homeless Youth	93.550			-	500,000
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557			36,253	450,000
Basic Center Grant	93.623			-	658,088
The PorchLight Project	93.866			-	123,713

See accompanying Notes to Schedule of Expenditures of Federal Awards.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):					
Aging Cluster:					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	MN River Agency on Aging	316-23-003B114/316-24-003B114	$ -	$ 50,358
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	Land of the Dancing Sky	314-23-00C1-110/314-24-00C1-110	-	751,023
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	Central MN Council on Aging	315-23-03C1-002-006	-	572,692
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	MN River Agency on Aging	316-23-00C1-042/316-23-00C2-043/316-24-00C1-042/316-24-00C2-043	-	2,139,422
Nutrition Services Incentive Program	93.053	Land of the Dancing Sky	314-23-00C1-110/314-24-00C1-110	-	115,380
Nutrition Services Incentive Program	93.053	Central MN Council on Aging	315-23-03C1-002-006	-	66,826
Nutrition Services Incentive Program	93.053	MN River Agency on Aging	316-23-00C1-042/316-23-00C2-043/316-24-00C1-042/316-24-00C2-043	-	187,484
Total Aging Cluster				-	3,883,185
National Family Caregiver Support	93.052	MN River Agency on Aging	316-23-003E-028-00E/316-24-003E-028-00E	-	97,132
National Family Caregiver Support	93.052	Land of the Dancing Sky	314-23-003E-028/314-20-003E-104	-	113,793
National Family Caregiver Support	93.052	Trellis	311-23-003E-300/ 311-24-003E-300	-	93,892
Total National Family Caregiver Support				-	304,817
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	MN Dept. of Health	GRK%223027	-	82,017
Projects for Assistance in Transition from Homelessness	93.150	MN Dept. of Human Services	GRK%215954	-	2,960
Title V State Sexual Risk Avoidance Education	93.235	MN Dept. of Health	GRK%238208	-	99,529
Immunization Cooperative Agreements	93.268	St. Louis County	17467	-	23,679
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	MN Dept. of Health	GRK%239106	-	53,227
Child Support Services Research	93.564	MN Dept. of Human Services	GRK%27383	-	5,000
Refugee and Entrant Assistance - State Administered Programs	93.566	MN Dept. of Human Services	GRK%219593	1,023,142	1,230,600
Refugee and Entrant Assistance - State Administered Programs	93.566	MN Dept. of Human Services	GRK%219833	174,026	511,994
Refugee and Entrant Assistance - State Administered Programs	93.566	MN Dept. of Human Services	GRK%236787	-	313,546
Refugee and Entrant Assistance - State Administered Programs	93.566	Minnesota Council of Churches	GRK%219482	-	58,585
Total Refugee and Entrant Assistance - State Administered Programs				1,197,168	2,114,725
Voluntary Agency Matching Grant Program	93.567	Lutheran Immigration and Refugee Services	2302MDRVMG	-	1,133,997
Low-Income Home Energy Assistance	93.568	MN Dept. of Commerce	GRK%215681	-	332,869
Child Care and Development Block Grant	93.575	MN Dept. of Human Services	GRK%203064/GRK%251688	-	60,735
Refugee and Entrant Assistance-Discretionary Grant	93.576	Lutheran Immigration and Refugee Services	90RP0124-02/90RP0124-03-01	-	1,634,743
Trafficking Victim Assistance Program	93.598	U.S. Committee for Refugees and Immigrants	90ZV0139-01-00	-	64,035
Chafee Education and Training Vouchers Program	93.599	MN Dept. of Human Services	GRK%157729	-	565,475
Adoption and Legal Guardianship Incentive Payments Program	93.603	MN Dept. of Human Services	GRK%230664	-	227,633
Adoption and Legal Guardianship Incentive Payments Program	93.603	MN Dept. of Human Services	GRK%230984	-	39,310
Total Adoption and Legal Guardianship Incentive Payments Program				-	266,943
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%214466	-	96,583
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%214465	-	193,006
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%214464	-	191,118
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%214463	-	234,123
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%214468	-	190,021
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%214470	-	246,578
Chafee Foster Care Independence Program	93.674	Kandiyohi County	2301MNCILP	-	108,122
Total Chafee Foster Care Independent Program				-	1,259,551

See accompanying Notes to Schedule of Expenditures of Federal Awards.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):					
Residential Shelter/Transitional Foster Care for Unaccompanied Alien Children	93.676	Lutheran Immigration and Refugee Services	90ZU0521-01/90ZU0521-02	$ -	$ 140,006
Residential Shelter/Transitional Foster Care for Unaccompanied Alien Children	93.676	Lutheran Immigration and Refugee Services	90ZU0439-02/90ZU439-03	-	153,860
Total Residential Shelter Program				-	293,866
Opioid State Targeted Response	93.788	MN Dept. of Human Services	GRK%191265	-	174,394
Block Grants for Prevention and Treatment of Substance Abuse	93.958	MN Dept. of Human Services	GRK%176793	-	63,720
Total Department of Health and Human Services				1,233,421	14,453,455
Corporation for National and Community Service:					
Foster Grandparent / Senior Companion Cluster:					
Foster Grandparent	94.011			-	1,088,932
Senior Companion	94.016			-	1,332,538
Total Foster Grandparent / Senior Companion Cluster				-	2,421,470
Senior Demonstration Program (FGP)	94.017			-	135,319
Total Corporation for National and Community Service				-	2,556,789
Department of Homeland Security					
Emergency Food and Shelter National Board Program	97.024	United Way	503200-003	-	5,000
Emergency Food and Shelter National Board Program	97.024	United Way	502800-021	-	24,482
Emergency Food and Shelter National Board Program	97.024	United Way	500400-012	-	7,947
Emergency Food and Shelter National Board Program	97.024	United Way	495000-102/485911-007/485917-018/499000-002	-	39,192
Total Department of Homeland Security				-	76,621
Total Expenditures of Federal Awards				$ 1,256,087	$ 21,469,876

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Lutheran Social Service of Minnesota and Affiliates (the Organization) that have been financed by the United States Government (federal awards). Federal awards received directly from federal agencies are included in the Schedule.

Additionally, all federal awards passed through from other entities have been included on the Schedule. Although the Organization is required to match certain grants, as defined in the grants, no such matching is included in the Schedule.

The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, statement of activities, or cash flows of the Organization.

NOTE B SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has a negotiated indirect cost rate that they use rather than the 10% de minimis rate under the Uniform Guidance.

NOTE C IN-KIND SUPPORT

The following shows the amount of in-kind support for volunteer hours obtained for the Senior Nutrition programs, Assistance Listing Numbers 93.045/93.053, which is required by the grant.

	Congregate	Home Delivered	Total
Land of the Dancing Sky	$ 59,141	$ 73,393	$ 132,534
Central MN Council on Aging	34,406	66,657	101,063
MN River Agency on Aging	70,753	306,792	377,545
Total	$ 164,300	$ 446,842	$ 611,142

NOTE D LOAN OUTSTANDING

The balance of the loans outstanding for the HOME Investment Partnership Program, Assistance Listing number 14.239, as of September 30, 2024 is $454,500.

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported

3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies)? ______ yes __x__ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no

Identification of Major Federal Programs

Name of Federal Program	Assistance Listing Number
Continuum of Care Program - Hearth Act	14.267
Foster Grandparent / Senior Companion Cluster	94.011/94.016
Refugee and Entrant Assistance - State Administered Programs	93.566
US Refugee Admissions Program	19.510
Chafee Foster Care Independent Program	93.674
Refugee and Entrant Assistance-Discretionary Grant	93.576

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? ______ yes __x__ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).