

**Lutheran Men in Mission**  
Chicago, Illinois

**Financial Statements and Supplementary Information**  
January 31, 2022 and 2021

**Together with Independent Accountant's Review Report**

**Lutheran Men in Mission**

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## Independent Accountant's Review Report

Board of Directors  
Lutheran Men in Mission  
Chicago, Illinois:

We have reviewed the accompanying financial statements of Lutheran Men in Mission (LMM), which comprise the statements of financial position as of January 31, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

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

### Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of LMM and to meet out other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### Basis for Qualified Conclusion

As disclosed in Note 9 to these financial statements, accounting principles generally accepted in the United States of America require that revenue and expenses are separately recorded and shown at the gross amount. Management has informed us that certain revenues received were recorded as a reduction to personnel expenses instead of other revenue. If the effects of this departure from accounting principles generally accepted in the United States of America had been corrected, other revenue would increase by \$34,707, and personnel expenses would increase by \$34,707, with no effect on change in net assets or ending net assets (deficit) as of January 31, 2021.

### Qualified Conclusion

Based on our reviews, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Seim Johnson, LLP*

Omaha, Nebraska,  
June 17, 2022.

## Lutheran Men in Mission

### Statements of Financial Position

January 31, 2022 and 2021

See Independent Accountant's Review Report

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	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 150,879	39,914
Contribution and other receivables	28,032	15,342
Prepaid expenses	3,002	4,327
Consigned inventories	53,036	59,572
Investments	1,544,838	1,473,812
Beneficial interest in perpetual trusts	295,899	307,268
<b>TOTAL ASSETS</b>	<u>\$ 2,075,686</u>	<u>1,900,235</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 8,214	36,571
Due to Evangelical Lutheran Church in America	740,184	524,167
Total liabilities	<u>748,398</u>	<u>560,738</u>
<b>NET ASSETS</b>		
Without donor restrictions	(187,040)	(130,174)
With donor restrictions	1,514,328	1,469,671
Total net assets	<u>1,327,288</u>	<u>1,339,497</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,075,686</u>	<u>1,900,235</u>

*See notes to financial statements*

## Lutheran Men in Mission

### Statement of Activities For the Year Ended January 31, 2022 See Independent Accountant's Review Report

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>REVENUE AND PUBLIC SUPPORT</b>			
Contributions	\$ 189,981	--	189,981
In-kind contributions	6,000	--	6,000
Bible and materials sales	8,015	--	8,015
Other revenue	58	--	58
Investment income	71,255	--	71,255
Realized and unrealized gain on investments, net	13,009	58,017	71,026
Change in value of beneficial interest in perpetual trusts	--	(11,369)	(11,369)
Net assets released from restriction	1,991	(1,991)	--
	<u>290,309</u>	<u>44,657</u>	<u>334,966</u>
<b>EXPENSES</b>			
Program services	245,326	--	245,326
Management and general	39,558	--	39,558
Fundraising	62,291	--	62,291
	<u>347,175</u>	<u>--</u>	<u>347,175</u>
<b>CHANGE IN NET ASSETS</b>	<u>(56,866)</u>	<u>44,657</u>	<u>(12,209)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(130,174)</u>	<u>1,469,671</u>	<u>1,339,497</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (187,040)</u>	<u>1,514,328</u>	<u>1,327,288</u>

See notes to financial statements

## Lutheran Men in Mission

### Statement of Activities For the Year Ended January 31, 2021 See Independent Accountant's Review Report

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>REVENUE AND PUBLIC SUPPORT</b>			
Contributions	\$ 90,304	--	90,304
In-kind contributions	6,000	--	6,000
Bible and materials sales	3,691	--	3,691
Other revenue	546	--	546
Investment income	68,241	--	68,241
Realized and unrealized gain on investments, net	27,911	103,281	131,192
Change in value of beneficial interest in perpetual trusts	--	28,255	28,255
	<u>196,693</u>	<u>131,536</u>	<u>328,229</u>
<b>EXPENSES</b>			
Program services	202,388	--	202,388
Management and general	34,629	--	34,629
Fundraising	54,528	--	54,528
	<u>291,545</u>	<u>--</u>	<u>291,545</u>
<b>CHANGE IN NET ASSETS</b>	<u>(94,852)</u>	<u>131,536</u>	<u>36,684</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(35,322)</u>	<u>1,338,135</u>	<u>1,302,813</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (130,174)</u>	<u>1,469,671</u>	<u>1,339,497</u>

*See notes to financial statements*

## Lutheran Men in Mission

### Statements of Cash Flows For the Years Ended January 31, 2022 and 2021 See Independent Accountant's Review Report

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	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (12,209)	36,684
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in realized and unrealized gains on investments, net	(71,026)	(131,191)
Change in value of beneficial interest in perpetual trusts	11,369	(28,255)
Effects of changes in operating assets and liabilities:		
Contribution and other receivables	(12,690)	(1,053)
Prepaid expenses	1,325	(1,327)
Consigned inventories	6,536	3,161
Accounts payable and other accrued expenses	(28,357)	22,812
	<u>(105,052)</u>	<u>(99,169)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due to Evangelical Lutheran Church in America	<u>216,017</u>	<u>125,967</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	110,965	26,798
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>39,914</u>	<u>13,116</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>150,879</u></u>	<u><u>39,914</u></u>

*See notes to financial statements*

# Lutheran Men in Mission

## Notes to Financial Statements

January 31, 2022 and 2021

See Independent Accountant's Review Report

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### (1) Description of the Organization and Summary of Significant Accounting Policies

Lutheran Men in Mission (LMM) is a not-for-profit evangelical organization formed to build men's faith, relationships and ministry through the men's events they produce, the resources they publish and the leaders they help develop. LMM's purpose is to further the kingdom of God, to enrich the faith journey of the men of the Evangelical Lutheran Church in America (ELCA) and other Christian denominations and to live out their faith in the Lord Jesus Christ. LMM was also formed to afford men opportunities for spiritual growth and development of an evangelical attitude through prayer and study of the Word, to invite men to faith in Christ and fuller involvement and participation in the life of the congregation, synod and the church-wide organization, and to enable men of the church to support Christian ministries through leadership development and an active organization of service and fellowship. LMM's fiscal year ends on January 31. Significant accounting policies are in accordance with accounting policies generally accepted in the United States of America (GAAP) and are as follows.

#### A. *Use of Estimates in Preparing Financial Statements*

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### B. *Basis of Accounting*

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not for Profit Entities*. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor imposed restrictions, as described below:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of carrying out the operations of LMM. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board of Directors.

Net assets with donor restrictions are net assets 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### C. *Cash and Cash Equivalents*

LMM considers all highly liquid investments including certificates of deposit with a maturity of three months or less when purchased to be cash equivalents. LMM cash balances are invested in the Mission Investment Fund, an entity affiliated with ELCA.

#### D. *Consigned inventories*

Consigned inventories consist of *Master Builder Bibles* and *Man Talk* playing cards purchased by LMM and held in a warehouse controlled by the ELCA. Orders for bibles and playing cards and shipping are handled by the ELCA, with funds remitted to LMM along with an inventory count monthly. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value.



## Lutheran Men in Mission

### Notes to Financial Statements

January 31, 2022 and 2021

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#### E. *Investments*

Investments consist of shares of ELCA Endowment Fund Pooled Trust – Fund A, which are carried at fair value that is determined using net asset value (NAV). NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. LMM has adopted investment policies which strive to provide a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains) that grows over time approximately in line with the expected long-term rate of inflation. To the extent consistent with this objective, LMM also seeks to provide long-term capital appreciation. Under this policy, the endowment assets are invested in a diversified portfolio consisting principally of domestic and foreign fixed income and equity securities, selected where feasible in accordance with criteria of social responsibility that are consistent with the values and programs of LMM. The mix of investments in the endowment portfolio will approximately reflect target asset allocations determined from time to time by LMM.

Investment income distributed from net assets with donor restrictions and realized and unrealized gains and losses on net assets with donor restrictions are included in net assets without donor restrictions unless otherwise restricted by donors. Investment income and realized and unrealized gains/losses resulting from investments are reported as net assets without donor restrictions or net assets with donor restrictions.

#### F. *Beneficial Interest in Perpetual Trusts*

LMM has a beneficial interest in two perpetual trusts and annually receives income from these trusts. The beneficial interest is recorded at fair value and the income from the trusts is reported as investment income in the statements of activities (see Note 6). Changes in the value of the beneficial interest in the perpetual trusts are included in net assets with donor restrictions.

#### G. *Net Assets With Donor Restrictions*

Net assets with donor restrictions are comprised of the following at January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Disaster response	\$ --	1,991
To be maintained in perpetuity:		
Endowments	1,218,429	1,160,412
Perpetual trusts	295,899	307,268
Total to be maintained in perpetuity	<u>1,514,328</u>	<u>1,467,680</u>
Total net assets with donor restrictions	<u>\$ 1,514,328</u>	<u>1,469,671</u>

Net assets without donor restrictions represent funds that are fully available at the discretion of the Board of Directors for LMM to utilize in any of its programs or supporting services.

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### Notes to Financial Statements

January 31, 2022 and 2021

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#### *H. Contributions*

LMM receives a significant portion of its operating funds from grants and contributions.

Unconditional promises to give cash and other assets to LMM are reported at fair value at the date the promise is received or given. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor-restricted support 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 statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with risk applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Donated property is reported at fair market value on the date it is received or pledged. It is then carried at the lower of donated or current market value.

#### *I. Revenue and Revenue Recognition*

LMM sells *Master Builder Bibles* and *Man Talk* playing cards from its consigned inventories of these items. Revenue for sales are recognized during the period in which the units ordered and paid for are shipped. The performance obligation is satisfied when the units are shipped.

#### *J. Income Taxes*

LMM is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, LMM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). There is no obligation for unrelated business income tax for the years ended January 31, 2022 and 2021. In accordance with Internal Revenue Service regulations, LMM is not required to file an income tax return.

#### *K. Subsequent Events*

LMM considered events occurring through June 17, 2022 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

## Lutheran Men in Mission

### Notes to Financial Statements

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#### (2) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 150,879	39,914
Contribution and other receivables	28,032	15,342
Investments	1,544,838	1,473,812
Beneficial interest in perpetual trusts	<u>295,899</u>	<u>307,268</u>
Total financial assets	<u>2,019,648</u>	<u>1,836,336</u>
Less:		
Net assets with donor restrictions	<u>(1,514,328)</u>	<u>(1,469,671)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 505,320</u>	<u>366,665</u>

As further described in Note 8, financial activity of LMM is received and processed by ELCA. This includes the receipt of contributions and other revenue and the payment of expenses by ELCA, on behalf of LMM. Under this agreement, if expenses exceed revenue, the shortfall is absorbed by ELCA, and increases amounts due to ELCA.

LMM's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

#### (3) Fair Value of Financial Instruments

In determining fair value, LMM uses various valuation approaches within the fair value measurement framework of GAAP. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following method and assumption was used to estimate the fair value for the class of financial instrument measured at fair value:

*Beneficial interest in perpetual trusts* – The fair value of the beneficial interest in perpetual trusts is classified as Level 3 as the beneficial interests have no active market and LMM will never receive the perpetual trusts' assets. A majority of the trusts' underlying assets are cash and cash equivalents, taxable and non-taxable bonds, and stocks.

For the fiscal years ended January 31, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

#### Fair Value on a Recurring Basis

The following table presents the balances of assets measured at fair value on a recurring basis.

		<b>January 31, 2022</b>			
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in perpetual trusts	\$	<u>295,899</u>	<u>--</u>	<u>--</u>	<u>295,899</u>

  

		<b>January 31, 2021</b>			
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in perpetual trusts	\$	<u>307,268</u>	<u>--</u>	<u>--</u>	<u>307,268</u>

#### (4) Investments Valued at Net Asset Value

LMM applies Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which states investments in affiliated and private investment funds valued at NAV are no longer required to be included in the fair value hierarchy. For investments such as pooled trusts, the carrying amount is determined using the calculated NAV provided by the fund. These funds typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of valuation. Underlying securities traded in the over-the counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bid and ask quotes obtained. Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material.

		<b>2022</b>		
		<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Notice Period</u>
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$	<u>1,544,838</u>	<u>--</u>	(A)

  

		<b>2021</b>		
		<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Notice Period</u>
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$	<u>1,473,812</u>	<u>--</u>	(A)

(A) This category includes an investment in a fund that invests in a diversified balanced portfolio consisting principally of global equities and fixed income securities. The ELCA Endowment Fund Pooled Trust - Fund A is made up of investment pools managed under the supervision of the investment advisor. Redemptions are received through the liquidation of the underlying assets of the funds.

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### Notes to Financial Statements

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#### (5) Endowments

LMM's endowments consist of funds established to support LMM's mission. As required by GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

LMM's interpretation of the laws governing restrictions on net appreciation of donor-restricted endowments is based on the Uniform Prudent Management of Institutional Funds Act. Consequently, net appreciation is restricted if investment income has donor restrictions; and has no restrictions if investment income is without donor restrictions.

LMM has elected to deposit all endowment fund monies into the Endowment Fund "A" (Fund A) of the ELCA Endowment Fund Pooled Trust, administered by the ELCA Foundation with the ELCA Board of Pensions, doing business as Portico Benefit Services, an affiliated corporation of the Church, acting as investment advisor.

The changes in endowment net assets for the years ended January 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balances as of January 31, 2020	\$ --	1,057,131	1,057,131
Investment return:			
Net unrealized gain	--	103,281	103,281
Balances as of January 31, 2021	--	1,160,412	1,160,412
Investment return:			
Net unrealized gain	--	58,017	58,017
Balances as of January 31, 2022	\$ --	1,218,429	1,218,429

*Return Objectives and Risk Parameters* – Fund A is structured to provide participants with a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains realized by the Fund) that grows over time approximately in line with the expected long-term rate of inflation. The Fund also seeks to provide participants with long-term capital appreciation. Fund A's target asset allocation is 50% U.S. equity, 15% non-U.S. equity, 20% investment grade fixed income, 10% high yield fixed income, and 5% real estate securities.

*Strategies Employed for Achieving Objectives* – To satisfy its long-term rate of return objectives, Fund A relies on a total return strategy in which investment return are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Fund A targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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*Spending Policy and How the Investment Objectives Relate to Spending Policy* – LMM has a policy of appropriating for distribution each year of up to 4.00% of its endowment fund's average fair value over the prior five years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, LMM considered the long-term expected return on its endowment. Accordingly, over the long-term, LMM expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with LMM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

At the present time, it is LMM's board's policy to grow the endowment fund and not allocate any of the funds to support LMM programs. LMM's policy as it relates to the long-term investment fund is to generate income that will remain in the fund.

#### (6) Beneficial Interest in Perpetual Trusts

LMM has beneficial interests in the Clarence E. Carlson Trust B and the Irene M. Carlson Trust B which are perpetual (Trusts). The Trusts provide income distributions to LMM by the Trusts' executors with no corresponding transfer of trust assets to LMM. Distributions from the Trusts to LMM amounted to \$18,076 and \$17,498 for the years ended January 31, 2022 and 2021, respectively, and are included in investment income in the statements of activities. The assets of the Trusts, comprised primarily of stocks and bonds, are held in trust in perpetuity. Accordingly, LMM has recorded its beneficial interest in the fair market value of the Trusts in the accompanying financial statements.

#### (7) Functional Expense

The table below illustrates LMM's expenses by both their nature and their function for the year ended January 31:

	2022			
	Program	Supporting Services		Total
	Services	Management	Fundraising	
	Ministry	and General		
Activities				
Personnel	\$ 203,403	9,461	23,651	236,515
Office	--	24,169	--	24,169
Financial services	--	5,559	--	5,559
Board	10,195	369	30,585	41,149
Development council	--	--	7,289	7,289
Events, retreats, workshops	3,591	--	--	3,591
Leadership development	16,333	--	--	16,333
Resources - printed materials	6,438	--	766	7,204
Communications	5,366	--	--	5,366
	<u>\$ 245,326</u>	<u>39,558</u>	<u>62,291</u>	<u>347,175</u>

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	2021			
	Program Services	Supporting Services		Total
	Ministry Activities	Management and General	Fundraising	
Personnel	\$ 168,542	11,625	19,598	199,765
Office	--	12,315	--	12,315
Financial services	--	6,880	--	6,880
Board	9,114	3,809	27,341	40,264
Development council	--	--	7,099	7,099
Events, retreats, workshops	859	--	--	859
Leadership development	12,500	--	--	12,500
Resources - printed materials	3,161	--	490	3,651
Communications	8,212	--	--	8,212
	<u>\$ 202,388</u>	<u>34,629</u>	<u>54,528</u>	<u>291,545</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of LMM. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated on the basis of estimates of time and effort include personnel.

#### (8) Management Agreement

LMM has a Service Level Agreement (SLA) with ELCA to manage selected operations. ELCA provides reasonable and necessary human resources, accounting processing, information technology and facilities services to LMM. A total of \$17,094 and \$10,917 was paid to ELCA relative to this SLA during the years ended January 31, 2022 and 2021, respectively.

Amounts due to ELCA of \$740,184 and \$524,167 as of January 31, 2022 and 2021, respectively, represent net amounts resulting from revenue and public support received by the ELCA on behalf of LMM and expenses paid by ELCA on behalf of LMM. LMM has experienced a series of losses generated by its activities without donor restrictions that have been funded by the ELCA and have resulted in a balance due to the ELCA. LMM has received a commitment from the ELCA to continue its current arrangements through January 31, 2024. The LMM Board of Directors intends to repay amounts owed through future activities.

#### (9) Departure from U.S. GAAP

Accounting principles generally accepted in the United States of America require that revenue and expense are separately recorded and shown at gross amounts.

During the year ended January 31, 2021, the ELCA participated in a Paycheck Protection Program loan (PPP), partial proceeds of which, in the amount of \$34,707 were allocated to LMM, and were used to pay for salaries and benefits of LMM. The ELCA's PPP loan was ultimately forgiven, thereby converting the loan into revenue. LMM has chosen to record the amount allocated to it by the ELCA as a reduction of personnel expenses rather than as other revenue.

If the effects of this departure from accounting principles generally accepted in the United States of America had been corrected, other revenue would increase by \$34,707, and personnel expenses would increase by \$34,707, with no effect on change in net assets or ending net assets (deficit) as of January 31, 2021.