

Lutheran Metropolitan Ministry

Consolidated Financial Report
December 31, 2009

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Financial Statements

Board of Trustees
Lutheran Metropolitan Ministry
Cleveland, Ohio

We have audited the accompanying consolidated statement of financial position of Lutheran Metropolitan Ministry as of December 31, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Lutheran Metropolitan Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2008 consolidated financial statements of Lutheran Metropolitan Ministry, and in our report dated June 29, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lutheran Metropolitan Ministry as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Cleveland, Ohio
July 22, 2010

Lutheran Metropolitan Ministry

Consolidated Statement of Financial Position
December 31, 2009
(With Comparative Totals for 2008)

Assets	2009	2008
Current Assets		
Cash	\$ 459,319	\$ 220,293
Cash held for others	343,648	335,509
Receivables:		
Grants and other	718,697	753,991
Government - net	683,364	1,239,906
Related party	-	451,225
Prepaid expenses	110,213	54,636
Total current assets	2,315,241	3,055,560
Other Assets		
Grants and other receivables - net	226,113	-
Investments held at The Cleveland Foundation	806,781	695,378
Property, plant and equipment - net	527,482	339,659
Other	71,750	70,553
Total other assets	1,632,126	1,105,590
Total assets	\$ 3,947,367	\$ 4,161,150
Liabilities		
Current Liabilities		
Current portion of debt	\$ -	\$ 14,584
Lines of credit	-	437,291
Recoverable grant	-	200,000
Funds held for others	343,648	335,509
Accounts payable	205,848	222,210
Accrued expenses	217,953	247,518
Deferred revenue	47,161	19,985
Total current liabilities	814,610	1,477,097
Net Assets		
Unrestricted:		
Operating	418,063	614,350
Net investment in plant	527,482	339,659
Total unrestricted	945,545	954,009
Temporarily restricted	1,324,639	1,002,033
Permanently restricted	862,573	728,011
Total net assets	3,132,757	2,684,053
Total liabilities and net assets	\$ 3,947,367	\$ 4,161,150

Lutheran Metropolitan Ministry

Consolidated Statement of Activities
Year Ended December 31, 2009
(With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Totals	2008 Totals
Revenues					
Government grants	\$ 6,624,283	\$ -	\$ -	\$ 6,624,283	\$ 7,310,190
Grants and contributions	894,766	1,543,272	8,305	2,446,343	1,783,421
Other	489,729	-	-	489,729	451,473
Program fees from related parties	707,394	-	-	707,394	674,127
Special events	98,940	-	-	98,940	83,829
Net realized and unrealized gains (losses)					
from investments	-	-	109,563	109,563	(272,411)
Investment income (loss)	(316)	-	16,694	16,378	74,662
Net assets released from restrictions	1,220,666	(1,220,666)	-	-	-
Total revenues	10,035,462	322,606	134,562	10,492,630	10,105,291
Expenses					
Program services	8,563,534			8,563,534	8,631,048
Management and general	940,475			940,475	1,110,398
Fundraising	539,917			539,917	526,352
Total expenses	10,043,926	-	-	10,043,926	10,267,798
Increase (decrease) in net assets	(8,464)	322,606	134,562	448,704	(162,507)
Net assets – beginning	954,009	1,002,033	728,011	2,684,053	3,153,266
Transfer of net assets	-	-	-	-	(306,706)
Net assets – ending	\$ 945,545	\$ 1,324,639	\$ 862,573	\$ 3,132,757	\$ 2,684,053

See Notes to Consolidated Financial Statements.

Lutheran Metropolitan Ministry

Consolidated Statement of Functional Expenses Year Ended December 31, 2009 (With Comparative Totals for 2008)

	2008 Totals	2009 Totals	Program Services					Supporting Services		
			Youth Services	Adults At Risk Services	Re-Entry Services	Core Services	Housing/ Shelter Services	Eliminations	Total Programs	Management and General Fundraising
Personnel										
Salaries and wages	\$ 5,180,780	\$ 5,251,649	\$1,162,601	\$ 744,370	\$ 715,423	\$ 468,909	\$1,405,067	(2,874)	\$ 4,493,496	\$ 492,218 \$ 265,935
Employee benefits	1,067,894	924,980	151,052	134,546	148,467	835,578	302,567	(762,654)	809,556	73,522 41,902
Payroll taxes	515,942	555,495	115,559	77,158	80,152	42,127	167,307	-	482,303	47,889 25,303
Other	8,241	4,978	192	-	4,286	253	-	-	4,731	180 67
Total personnel	6,772,857	6,737,102	1,429,404	956,074	948,328	1,346,867	1,874,941	(765,528)	5,790,086	613,809 333,207
Operating Expenses										
Bad debt	190,869	137,722	-	-	-	-	-	-	-	137,722 -
Conferences and meetings	42,724	47,570	5,932	7,529	1,362	12,052	8,719	-	35,594	8,518 3,458
Depreciation	69,122	60,045	16,322	4,583	240	16,783	5,170	-	43,098	12,232 4,715
Development and fundraising	55,809	58,718	-	-	-	-	-	-	-	- 58,718
External benefits	388,073	437,015	-	-	-	437,015	-	-	437,015	- -
Insurance	64,456	67,407	16,105	7,846	9,160	34,279	9,522	(42,891)	34,021	24,305 9,081
Interest	30,302	13,948	40,155	27	1,539	18,404	6,886	(53,070)	13,941	5 2
Occupancy related	85,718	100,537	34,789	16,433	21,035	25,870	68,123	(93,572)	72,678	19,886 7,973
Postage	37,367	31,738	1,308	9,022	2,203	6,125	914	-	19,572	4,862 7,304
Printing	66,054	64,225	388	10,786	3,037	1,522	5,798	(4,389)	17,142	1,334 45,749
Professional fees	265,011	174,220	137,326	67,466	75,214	56,172	114,234	(353,832)	96,580	40,667 36,973
Program services	1,735,218	1,625,657	760,420	24,718	22,959	229,828	761,233	(173,501)	1,625,657	- -
Rent	167,113	169,788	1,617	57,261	56,368	53,760	12,500	(65,991)	115,515	38,969 15,304
Supplies	119,018	153,523	31,051	16,312	7,174	33,097	25,849	-	113,483	28,351 11,689
Telephone	102,833	98,271	34,554	14,174	14,184	8,418	19,336	(3,091)	87,575	7,093 3,603
Travel	75,254	66,440	15,549	30,648	9,872	3,693	1,815	-	61,577	2,722 2,141
Total operating expenses	3,494,941	3,306,824	1,095,516	266,805	224,347	937,018	1,040,099	(790,337)	2,773,448	326,666 206,710
Total expenses	\$10,267,798	\$10,043,926	\$2,524,920	\$1,222,879	\$1,172,675	\$2,283,885	\$2,915,040	\$(1,555,865)	\$ 8,563,534	\$ 940,475 \$ 539,917

See Notes to Consolidated Financial Statements.

Lutheran Metropolitan Ministry

Consolidated Statement of Cash Flows

Year Ended December 31, 2009

(With Comparative Totals for 2008)

	2009	2008
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 448,704	\$ (162,507)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,045	69,122
Change in value of investments held at The Cleveland Foundation	(111,403)	256,175
Forgiveness of recoverable grant	(200,000)	-
Contributions received for long-term investment	(8,305)	(13,219)
Changes in operating assets and liabilities:		
(Increase) in grants and other receivables	(190,819)	(342,852)
(Increase) decrease in governmental receivables	556,542	(239,549)
(Increase) decrease in related party receivables	451,225	(237,191)
(Increase) in other assets	(56,774)	(15,659)
Increase (decrease) in accounts payable	(16,362)	68,406
Increase (decrease) in accrued expenses	(29,565)	47,247
Increase in deferred revenue	27,176	10,685
Net cash provided by (used in) operating activities	930,464	(559,342)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(247,868)	(1,441)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(14,584)	(17,876)
Net cash (paid) borrowed on lines of credit	(437,291)	327,291
Contributions received for long-term investment	8,305	13,219
Transfer of cash to Long Term Care Ombudsman	-	(69,007)
Net cash provided by (used in) financing activities	(443,570)	253,627
Net increase (decrease) in cash	239,026	(307,156)
Cash		
Beginning	220,293	527,449
Ending	\$ 459,319	\$ 220,293
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest during the year	\$ 13,948	\$ 30,302

See Notes to Consolidated Financial Statements.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Basis of presentation: The consolidated financial statements include: Lutheran Metropolitan Ministry (LMM) (the Organization), a church related social service organization, and the sole member of the following separate corporations: Community Re-Entry, Inc.; Support to At-Risk Teens; and Volunteer Guardianship Program of Lorain County. The Organization consolidates its financial position and activities with those entities in accordance with the Consolidation Topic of the Accounting Standards Codification (ASC). This Topic requires LMM to consolidate its wholly-controlled entities since the Organization has significant influence in governance and economic interest in the entities. All intercompany transactions have been eliminated.

Nature of activities: The Organization and its related corporations were established for the purpose of promoting justice, peace, and well-being in the community through a Christian ministry of service and advocacy with those who are oppressed, forgotten, and hurting.

The Organization operates five main programs and an administrative support group, as follows:

Youth services: To serve at-risk youth through the ministries of emergency shelter; training in independent living, job search, and job retention skills; after-school programming; and case management services.

Adults at risk services: To serve the vulnerable elderly through the ministries of guardianship services to indigent adults and training and assistance to operators of small, long-term care facilities.

Re-entry services: To facilitate the re-entry of formerly incarcerated persons and troubled youth into the community by involving them in meaningful work and/or community service; by providing case management services; and by working to improve the wider community's attitude and receptiveness toward them.

Core services: An administrative group undergirds and supports the programs by providing services in accounting and finance, board member recruitment and development, community and public relations, fundraising, human resources, information systems, legal counsel, risk management, systemic advocacy, and volunteer management as well as overall guidance of agency affairs. This group also includes a program that provided free legal service to those who cannot afford it.

Housing and shelter services: To provide emergency shelter, supportive services, and solutions to homelessness. The cornerstone of this endeavor is the men's emergency homeless shelter at 2100 Lakeside in Cleveland, Ohio, which provides a variety of services to empower residents toward self-sufficiency. Basic needs of food, shelter, and clothing are met while additionally offering life skills sessions, job training/placement, counseling, and community service projects, which are often provided in conjunction with on-site partners. Advocacy, especially around housing issues and the promotion of safe, affordable, accessible housing, is geared at reducing the need for shelter and providing healthy alternatives to those with limited housing options. Basic furniture needs are also provided to those coming out of homelessness into independent or supportive living.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A summary of LMM's significant accounting policies follows:

Accounting method: The accompanying financial statements of LMM have been prepared in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include a board designated fund - the Partnership Resources Fund. The purpose of the Partnership Resources Fund is to provide cash flow (internal loans) needed for day-to-day operations and start-up capital for new projects. At December 31, 2009, the Partnership Resources Fund was \$368,536.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. The Organization reports revenue of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Certain support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently restricted net assets primarily represent funds held by others, which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized.

The Organization maintains investments in two separate endowment funds under the management of The Cleveland Foundation, and such investments are considered to be permanently restricted assets. The Organization records its investments at fair value.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Cash: The Organization maintains funds in various accounts at financial institutions which may at times exceed federally insured amounts. In addition, the Organization also holds cash for wards of Adult Guardianship Services. Cash held for others at December 31, 2009 is reflected as an asset and corresponding liability at December 31, 2009.

Allowance for doubtful accounts: The Organization provides for uncollectible receivables using the allowance method. The allowance is based on historical collections and an evaluation by management of individual accounts. At December 31, 2009, the allowance for doubtful accounts for receivables was \$36,337.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property, plant and equipment: The Organization records expenditures for equipment over \$2,500 as assets subject to depreciation. Depreciation is calculated over the estimated useful lives of 5 to 31 years utilizing a combination of straight-line and double declining balance methods. Maintenance, repairs, and minor renewals are charged to expense as incurred.

Significant group concentration of credit risk: The Organization is a provider of various support services to individuals throughout the northeast Ohio area. The Organization receives a significant portion of its revenue from program and service fees from various government agencies. During 2009, revenues received from governmental agencies totaled \$6,624,283.

Revenue recognition: Contributions received are recorded as unrestricted, temporarily or permanently restricted depending on the nature of the restrictions. Governmental and program fee revenue is recognized when the services associated with those revenue streams have been provided. Material donated goods and services are recorded at fair value at the date of donation. The Organization records the donated goods and services as gifts and donations in the financial statements. For special events, revenue is recognized when the event is held.

Functional expense allocation: Allocation of functional expenses to program services is determined by the management of the Organization.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax status: The Organization and its separate corporations are exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

Recently issued accounting pronouncements: On January 1, 2009, LMM adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, LMM may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of LMM, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2009, there were no unrecognized tax benefits identified or recorded as liabilities.

Reclassification: Certain reclassifications have been made to the 2008 financial statements in order to conform to 2009 presentation. The reclassifications had no effect on the previously reported increase in net assets.

Subsequent events: LMM has evaluated subsequent events for potential recognition and/or disclosure through July 22, 2010, the date the financial statements were available to be issued.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 2. Government Receivables

The Organization has entered into agreements with governmental entities to provide services on a fee basis and for the reimbursement of expenses incurred in the providing of program services. Amounts earned pursuant to the terms of these agreements but not yet received as of December 31, 2009 are \$683,364, net of an allowance of \$22,500 and are included in receivables. Amounts received and not yet earned as of December 31, 2009 were \$20,296 and are included in deferred revenue. All amounts due are from governmental agencies and are to be received within one year.

Note 3. Grants and Other Receivables

Grants and other receivables represent grants and pledges made to the Organization but not yet received as of the end of the year. Unconditional promises of donors to give are recognized by the Organization at fair value in the period the promise is made. Receivables due beyond one year are discounted to net present value using the risk free rate of return in effect at the date pledged. These receivables are net of an allowance of \$13,837. As of December 31, 2009, they are comprised of the following:

Re-Entry services	\$	263,975
Adults At Risk services		22,450
Core services		509,681
Youth services		148,704
	<u>\$</u>	<u>944,810</u>

These receivables are schedule to be received as follows:

Due to be received in less than 1 year	\$	718,697
Due to be received in 1-5 years		226,113

Note 4. Investments

Investments consist of pooled funds held by The Cleveland Foundation on behalf of the Organization. In accordance with the terms of the agreement between the Organization and The Cleveland Foundation, upon the affirmative vote of the Organizations' board of trustees, the Organization may request distribution of the pooled funds to the extent there is distributable income.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets balances and amounts released are as follows:

	Beginning Balance	Additions	Net Assets Released/ Transferred	Ending Balance
Time and purpose restrictions				
Core services	\$ 359,715	\$ 770,223	\$ (367,064)	\$ 762,874
Re-Entry services	382,170	457,948	(477,290)	362,828
Adults At risk services	8,950	44,900	(29,146)	24,704
Youth services	251,198	270,201	(347,166)	174,233
	<u>\$ 1,002,033</u>	<u>\$ 1,543,272</u>	<u>\$ (1,220,666)</u>	<u>\$ 1,324,639</u>

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 6. Permanently Restricted Net Assets

Permanently restricted net assets total \$862,573 at December 31, 2009. A portion of these investments totaling \$806,781 are held by the Cleveland Foundation and \$13,977 in cash is held by the Organization. The remaining \$41,815 is funded by the Organization's other unrestricted assets.

The Organization has no discretion as to the investment of permanently restricted funds held as endowment by The Cleveland Foundation. The income received is subject to the spending policy of The Cleveland Foundation. However, the Organization is the irrevocable beneficiary of the investment income.

Note 7. Property, Plant and Equipment

Properties are recorded at cost and are comprised of computer and office equipment, remodeling costs of leased office space, and the acquisition and remodeling costs of a building utilized as a shelter for runaway youths.

The cost of property, plant and equipment is as follows:

Land and building improvements	\$ 1,005,936
Computer and office equipment	277,367
Vehicles	25,500
	<hr/> 1,308,803
Accumulated depreciation	(781,321)
Property, plant and equipment, net	<hr/> \$ 527,482 <hr/>

Note 8. Debt and Lines of Credit

LMM had a 7-year loan with a variable interest rate of interest equal to the U.S. treasury three year note plus 2.9%. The note required monthly payments of \$1,656 and was secured by the Organization's assets. The note was paid in full during 2009.

LMM has available three credit agreements totaling \$1,100,000. At December 31, 2009, \$0 was outstanding on these agreements. Interest rates range from 3.25 to 7% per annum. The terms of the lines are as follows:

LMM has available a line of credit in the amount of \$900,000 with a bank which is secured by receivables and substantially all of the Organization's assets. The line bears interest at the bank's prime rate plus 0.25%. Interest is due monthly. On December 31, 2009, \$0 was outstanding on this line.

LMM also has a line of credit in the amount of \$150,000 with a bank bearing interest at the bank's prime rate plus 0.5%. Interest is due quarterly. The line is secured by receivables and guaranteed by the Organization. On December 31, 2009, \$0 was outstanding on this line.

LMM also has a line of credit in the amount of \$50,000 with a bank bearing interest at the bank's prime lending rate plus 1%. Interest is due monthly. The line is secured by receivables and guaranteed by the Organization. On December 31, 2009, \$0 was outstanding on this line.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 9. Recoverable Grant

During May 2001, in connection with addressing the issue of Community Re-Entry's cash flow situation, a \$200,000 5-year recoverable grant was awarded by The Cleveland Foundation. The grant was unsecured and required no interest. During 2009, the Cleveland Foundation released the Organization from having to repay the grant. The Organization recognized the full amount of \$200,000 as revenue in 2009.

Note 10. Retirement Plan and Employee Benefits

The Organization contributes, on behalf of eligible employees, to a multi-employer defined contribution retirement plan maintained by a national organization. Substantially all employees, except for part time employees, are eligible to participate. Such contributions are fully funded by the Organization and are equal to 6% of covered compensation. Total pension expense for the year ended December 31, 2009 was \$251,649.

Note 11. Commitments

The Organization leases office space for administration and program operations. Rental expense incurred during the year ended December 31, 2009 was \$169,788. The terms of the leases are as follows:

The Organization entered into a lease agreement for the rental of office space beginning November 1, 1998 and ending October 31, 2020. Subsequent to the execution of the original lease, certain modifications have added space and increased annual rental payments. Total rental payments pursuant to this lease agreement were \$106,118 during 2009.

The Organization entered into a lease renewal agreement for the rental of office space beginning April 1, 2007 and ending March 31, 2010. Subsequent to March 31, 2010, the lease is month-to-month. Total rental payments pursuant to this lease agreement were \$6,993 during 2009.

Effective September 1, 2006, certain of the Organization's programs expanded their office space. The office facilities were occupied pursuant to the terms of a lease agreement expiring February 28, 2009. Total rental payments pursuant to this lease agreement were \$33,378 during 2009. This program relocated to the Organizations' main building during 2009.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 11. Commitments (Continued)

Future required minimum lease payments required by the terms of these lease agreements are as follows:

2010	\$	107,130
2011		106,000
2012		106,000
2013		106,000
2014		106,000
Thereafter		582,000
Total	\$	<u>1,113,130</u>

The Organization leases space on a month-to-month basis for certain programs and paid rentals of \$23,299 during 2009. It is anticipated that future rental payments relating to these programs will equal or be greater than the amounts paid during 2009.

Note 12. Related Party Transactions

LMM provides administrative services including accounting, human services, benefits, etc. to several parties. LMM is related to these organizations through board relationship and Memorandums of Understanding. The value of services received from these entities totaled \$707,394 during the year ended December 31, 2009.

It is anticipated that LMM will no longer provide administrative services to one of these organizations as of the third quarter of 2010.

Note 13. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification applies to all financial instruments that are being measured and reported on a fair value basis. This topic establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The standard requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 13. Fair Value Disclosures (Continued)

In determining the appropriate levels, LMM performs a detailed analysis of the assets that are subject to the Fair Value Measurements and Disclosures Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the fiscal year ended December 31, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments held at the Cleveland Foundation: LMM participates in a pooled fund held and managed by the Cleveland Foundation. The Cleveland Foundation provided the fair value of LMM's interest in the Cleveland Foundation's pooled fund.

Fair value on a recurring basis: The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2009:

	Total	Level 1	Level 2	Level 3
Financial Assets				
Investments held at the Cleveland Foundation	\$ 806,781	\$ -	\$ -	\$ 806,781
Total assets	\$ 806,781	\$ -	\$ -	\$ 806,781

The changes in the fair value of Level 3 assets are summarized as follows:

	Investment Held the Cleveland Foundation
Balance, December 31, 2008	\$ 695,378
Total gains and losses included in change in net assets:	
Cash transferred	26,961
Realized and unrealized loss on investments	109,563
Interest and dividend income, net	12,485
Expenditures	(37,606)
Balance, December 31, 2009	\$ 806,781

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 14. Endowment Funds

LMM's endowment consists of two individual donor restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Trustees of LMM has interpreted 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, LMM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by LMM in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, LMM considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of LMM
- (7) The investment policies of LMM

Endowment net asset composition by type of fund as of December 31, 2009:

	Permanently Restricted
Donor-restricted endowments	<u>\$ 862,573</u>

Changes in endowment net assets for the year ended December 31, 2009:

	Permanently Restricted
Beginning balance at December 31, 2008	\$ 728,011
Investment return	
Net investment income	16,694
Net appreciation (realized and unrealized)	<u>109,563</u>
Total investment return	126,257
Contributions	<u>8,305</u>
Ending balance at December 31, 2009	<u>\$ 862,573</u>

Lutheran Metropolitan Ministry

Notes to Consolidated Financial Statements

Note 14. Endowment Funds (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 requires LMM to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net asset were \$41,815 as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred in 2008 and had not recovered sufficiently as of December 31, 2009. LMM has sufficient reserves within unrestricted net assets to support this deficiency.

Return objectives and risk parameters: LMM has adopted the investment and spending policies for endowment assets of the Cleveland Foundation where the funds are held. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the Cleveland Foundation.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, LMM relies on the investment policies and practices of the Cleveland Foundation, where the funds are held. LMM meets at least annually with the Cleveland Foundation to review past results and current investment allocations.

Spending policy and how the investment objectives relate to spending policy: LMM has a policy of appropriating for distribution each year 5 or 6 percent of the balance of each endowment amount at the end of the third quarter of the prior year to the extent that the endowment has earned investment income. 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 annually. This is consistent with LMM's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 15. Subsequent Events

Effective January 1, 2010, a wholly owned subsidiary of the Organization, Volunteer Guardianship Program of Lorain County, dissolved its corporate charter.

In 2010, the Organization entered into an option to purchase a building totaling \$535,000. As part of the Organization's strategic plan, the building will be renovated to house several of the Organization's programs and all of the Organization's administrative functions.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

Board of Trustees
Lutheran Metropolitan Ministry
Cleveland, Ohio

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Cleveland, Ohio
July 22, 2010

Lutheran Metropolitan Ministry

Consolidating Statement of Financial Position
December 31, 2009

	Lutheran Metropolitan Ministry				Community Re-Entry, Inc.				Support to At-Risk Teens			Volunteer Guardianship of Lorain County			Eliminations	Total			
	Temporarily		Permanently	Total	Temporarily		Permanently	Total	Temporarily		Total	Temporarily		Total	Unrestricted	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted		Unrestricted	Restricted	Restricted		Unrestricted	Restricted		Unrestricted	Restricted			Unrestricted	Restricted	Restricted	
Current Assets																			
Cash	\$ 58,987	\$ 283,866	\$ 3,977	\$ 346,830	\$ (108,853)	\$ 98,853	\$ 10,000	\$ -	\$ (66,633)	\$ 66,633	\$ -	\$ 110,235	\$ 2,254	\$ 112,489	\$ -	\$ (6,264)	\$ 451,606	\$ 13,977	\$ 459,319
Cash held for others	343,648	-	-	343,648	-	-	-	-	-	-	-	-	-	-	-	343,648	-	-	343,648
Receivables:																			
Grants and other	30,674	252,894	-	283,568	-	263,975	-	263,975	41,103	107,601	148,704	-	22,450	22,450	-	71,777	646,920	-	718,697
Government - net	306,910	-	-	306,910	203,361	-	-	203,361	168,291	-	168,291	4,802	-	4,802	-	683,364	-	-	683,364
Related party	1,151,336	-	-	1,151,336	-	-	-	-	-	-	-	-	-	-	(1,151,336)	-	-	-	-
Prepaid expenses	88,608	-	-	88,608	-	-	-	-	21,605	-	21,605	-	-	-	-	110,213	-	-	110,213
Total current assets	1,980,163	536,760	3,977	2,520,900	94,508	362,828	10,000	467,336	164,366	174,234	338,600	115,037	24,704	139,741	(1,151,336)	1,202,738	1,098,526	13,977	2,315,241
Other Assets:																			
Grants and other receivables - net	-	226,113	-	226,113	-	-	-	-	-	-	-	-	-	-	-	-	226,113	-	226,113
Investments held at The Cleveland Foundation	(41,815)	-	848,596	806,781	-	-	-	-	-	-	-	-	-	-	-	(41,815)	-	848,596	806,781
Property, plant and equipment - net	451,081	-	-	451,081	433	-	-	433	75,968	-	75,968	-	-	-	-	527,482	-	-	527,482
Other	30,479	-	-	30,479	1,000	-	-	1,000	38,830	-	38,830	1,441	-	1,441	-	71,750	-	-	71,750
Total other assets	439,745	226,113	848,596	1,514,454	1,433	-	-	1,433	114,798	-	114,798	1,441	-	1,441	-	557,417	226,113	848,596	1,632,126
Total assets	\$ 2,419,908	\$ 762,873	\$ 852,573	\$ 4,035,354	\$ 95,941	\$ 362,828	\$ 10,000	\$ 468,769	\$ 279,164	\$ 174,234	\$ 453,398	\$ 116,478	\$ 24,704	\$ 141,182	\$ (1,151,336)	\$ 1,760,155	\$ 1,324,639	\$ 862,573	\$ 3,947,367
Liabilities																			
Current Liabilities																			
Loans payable, intergroup	\$ -	\$ -	\$ -	\$ -	\$ 3,060	\$ -	\$ -	\$ 3,060	\$ 1,148,276	\$ -	\$ 1,148,276	\$ -	\$ -	\$ -	\$ (1,151,336)	\$ -	\$ -	\$ -	\$ -
Funds held for others	343,648	-	-	343,648	-	-	-	-	-	-	-	-	-	-	-	343,648	-	-	343,648
Accounts payable	141,929	-	-	141,929	5,661	-	-	5,661	57,641	-	57,641	617	-	617	-	205,848	-	-	205,848
Accrued expenses	137,932	-	-	137,932	33,444	-	-	33,444	45,757	-	45,757	820	-	820	-	217,953	-	-	217,953
Deferred revenue	22,590	-	-	22,590	16,667	-	-	16,667	-	-	-	7,904	-	7,904	-	47,161	-	-	47,161
Total current liabilities	646,099	-	-	646,099	58,832	-	-	58,832	1,251,674	-	1,251,674	9,341	-	9,341	(1,151,336)	814,610	-	-	814,610
Net Assets																			
Unrestricted																			
Operating	1,322,728	-	-	1,322,728	36,676	-	-	36,676	(1,048,478)	-	(1,048,478)	107,137	-	107,137	-	418,063	-	-	418,063
Net investment in plant	451,081	-	-	451,081	433	-	-	433	75,968	-	75,968	-	-	-	-	527,482	-	-	527,482
Total unrestricted	1,773,809	-	-	1,773,809	37,109	-	-	37,109	(972,510)	-	(972,510)	107,137	-	107,137	-	945,545	-	-	945,545
Temporarily restricted	-	762,873	-	762,873	-	362,828	-	362,828	-	174,234	174,234	-	24,704	24,704	-	-	1,324,639	-	1,324,639
Permanently restricted	-	-	852,573	852,573	-	-	10,000	10,000	-	-	-	-	-	-	-	-	-	862,573	862,573
Total net assets	1,773,809	762,873	852,573	3,389,255	37,109	362,828	10,000	409,937	(972,510)	174,234	(798,276)	107,137	24,704	131,841	-	945,545	1,324,639	862,573	3,132,757
Total liabilities and net assets	\$ 2,419,908	\$ 762,873	\$ 852,573	\$ 4,035,354	\$ 95,941	\$ 362,828	\$ 10,000	\$ 468,769	\$ 279,164	\$ 174,234	\$ 453,398	\$ 116,478	\$ 24,704	\$ 141,182	\$ (1,151,336)	\$ 1,760,155	\$ 1,324,639	\$ 862,573	\$ 3,947,367

Lutheran Metropolitan Ministry

Consolidating Statement of Activities
Year Ended December 31, 2009

	Lutheran Metropolitan Ministry				Community Re-Entry, Inc.				Support to At-Risk Teens			Volunteer Guardianship of Lorain County			Eliminations	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues																			
Government grants	\$ 3,783,263	\$ -	\$ -	\$ 3,783,263	\$ 663,915	\$ -	\$ -	\$ 663,915	\$ 2,114,028	\$ -	\$ 2,114,028	\$ 63,077	\$ -	\$ 63,077	\$ -	\$ 6,624,283	\$ -	\$ -	\$ 6,624,283
Grants and contributions	441,331	770,223	8,305	1,219,859	287,692	457,948	-	745,640	163,823	270,201	434,024	1,920	44,900	46,820	-	894,766	1,543,272	8,305	2,446,343
Other	385,892	-	-	385,892	86,037	-	-	86,037	13,897	-	13,897	3,903	-	3,903	-	489,729	-	-	489,729
Program fees from related parties	1,631,351	-	-	1,631,351	22,673	-	-	22,673	46,666	-	46,666	1,528	-	1,528	(994,824)	707,394	-	-	707,394
Special events	79,703	-	-	79,703	1,351	-	-	1,351	17,886	-	17,886	-	-	-	-	98,940	-	-	98,940
Net realized and unrealized																			
losses from investments	-	-	109,563	109,563	-	-	-	-	-	-	-	-	-	-	-	-	-	109,563	109,563
Investment income (loss)	(4,289)	-	16,694	12,405	1,634	-	-	1,634	1,409	-	1,409	930	-	930	-	(316)	-	16,694	16,378
Net assets released from restrictions	367,064	(367,064)	-	-	477,290	(477,290)	-	-	347,166	(347,166)	-	29,146	(29,146)	-	-	1,220,666	(1,220,666)	-	-
Total revenues	6,684,315	403,159	134,562	7,222,036	1,540,592	(19,342)	-	1,521,250	2,704,875	(76,965)	2,627,910	100,504	15,754	116,258	(994,824)	10,035,462	322,606	134,562	10,492,630
Expenses																			
Program services	5,532,772	-	-	5,532,772	1,172,675	-	-	1,172,675	2,524,920	-	2,524,920	89,947	-	89,947	(756,780)	8,563,534	-	-	8,563,534
Management and general	678,135	-	-	678,135	112,845	-	-	112,845	299,807	-	299,807	2,543	-	2,543	(152,855)	940,475	-	-	940,475
Fundraising	437,434	-	-	437,434	93,111	-	-	93,111	84,617	-	84,617	9,944	-	9,944	(85,189)	539,917	-	-	539,917
Total expenses	6,648,341	-	-	6,648,341	1,378,631	-	-	1,378,631	2,909,344	-	2,909,344	102,434	-	102,434	(994,824)	10,043,926	-	-	10,043,926
Increase (decrease) in net assets	35,974	403,159	134,562	573,695	161,961	(19,342)	-	142,619	(204,469)	(76,965)	(281,434)	(1,930)	15,754	13,824	-	(8,464)	322,606	134,562	448,704
Net assets – beginning	1,737,835	359,714	718,011	2,815,560	(124,852)	382,170	10,000	267,318	(768,041)	251,199	(516,842)	109,067	8,950	118,017	-	954,009	1,002,033	728,011	2,684,053
Net assets – ending	\$ 1,773,809	\$ 762,873	\$ 852,573	\$ 3,389,255	\$ 37,109	\$ 362,828	\$ 10,000	\$ 409,937	\$ (972,510)	\$ 174,234	\$ (798,276)	\$ 107,137	\$ 24,704	\$ 131,841	\$ -	\$ 945,545	\$ 1,324,639	\$ 862,573	\$ 3,132,757

Lutheran Metropolitan Ministry

Consolidating Statement of Functional Expenses
Year Ended December 31, 2009

	Lutheran Metropolitan Ministry				Community Re-Entry, Inc.				Support to At-Risk Teens				Volunteer Guardianship of Lorain County				Elimination				Total			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel																								
Salaries and wages	\$ 2,566,561	\$ 373,951	\$ 190,699	\$ 3,131,211	\$ 715,423	\$ 54,580	\$ 44,912	\$ 814,915	\$ 1,162,601	\$ 63,687	\$ 25,223	\$ 1,251,511	\$ 48,911	\$ -	\$ 5,101	\$ 54,012	\$ -	\$ -	\$ -	\$ -	\$ 4,493,496	\$ 492,218	\$ 265,935	\$ 5,251,649
Employee benefits	809,652	73,522	41,904	925,078	148,467	7,900	6,658	163,025	151,052	6,384	2,815	160,251	13,551	-	1,413	14,964	(313,166)	(14,284)	(10,888)	(338,338)	809,556	73,522	41,902	924,980
Payroll taxes	282,876	34,792	17,185	334,853	80,152	6,348	5,136	91,636	115,559	6,749	2,595	124,903	3,716	-	387	4,103	-	-	-	-	482,303	47,889	25,303	555,495
Other	253	180	67	500	4,286	-	-	4,286	192	-	-	192	-	-	-	-	-	-	-	-	4,731	180	67	4,978
Total personnel	3,659,342	482,445	249,855	4,391,642	948,328	68,828	56,706	1,073,862	1,429,404	76,820	30,633	1,536,857	66,178	-	6,901	73,079	(313,166)	(14,284)	(10,888)	(338,338)	5,790,086	613,809	333,207	6,737,102
Operating Expenses																								
Bad debt	-	10,555	-	10,555	-	(7,200)	-	(7,200)	-	134,367	-	134,367	-	-	-	-	-	-	-	-	-	137,722	-	137,722
Conferences and meetings	27,612	8,293	3,133	39,038	1,362	36	74	1,472	5,932	189	179	6,300	688	-	72	760	-	-	-	-	35,594	8,518	3,458	47,570
Depreciation	26,536	12,102	4,557	43,195	240	130	62	432	16,322	-	96	16,418	-	-	-	-	-	-	-	-	43,098	12,232	4,715	60,045
Development and fundraising	-	-	44,795	44,795	-	-	4,909	4,909	-	-	9,014	9,014	-	-	-	-	-	-	-	-	-	-	58,718	58,718
External benefits	437,015	-	-	437,015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	437,015	-	-	437,015
Insurance	34,279	24,305	9,081	67,665	9,160	416	416	9,992	16,105	677	291	17,073	1,195	-	125	1,320	(26,718)	(1,093)	(832)	(28,643)	34,021	24,305	9,081	67,407
Interest	18,560	-	-	18,560	1,539	5	1	1,545	40,155	19	82	40,256	-	-	-	-	(46,313)	(19)	(81)	(46,413)	13,941	5	2	13,948
Occupancy related	63,349	19,886	7,965	91,200	21,035	857	1,217	23,109	34,789	863	678	36,330	1,291	-	135	1,426	(47,786)	(1,720)	(2,022)	(51,528)	72,678	19,886	7,973	100,537
Postage	15,558	4,534	7,046	27,138	2,203	266	181	2,650	1,308	62	25	1,395	503	-	52	555	-	-	-	-	19,572	4,862	7,304	31,738
Printing	16,543	1,283	45,687	63,513	3,037	119	178	3,334	388	350	74	812	463	-	48	511	(3,289)	(418)	(238)	(3,945)	17,142	1,334	45,749	64,225
Professional fees	72,636	39,871	36,551	149,058	75,214	42,851	20,882	138,947	137,326	81,994	41,282	260,602	7,341	2,543	1,413	11,297	(195,937)	(126,592)	(63,155)	(385,684)	96,580	40,667	36,973	174,220
Program services	915,521	-	-	915,521	22,959	-	-	22,959	760,420	-	-	760,420	797	-	-	797	(74,040)	-	-	(74,040)	1,625,657	-	-	1,625,657
Rent	98,382	38,969	14,645	151,996	56,368	4,640	6,826	67,834	1,617	3,675	779	6,071	6,333	-	660	6,993	(47,185)	(8,315)	(7,606)	(63,106)	115,515	38,969	15,304	169,788
Supplies	74,960	26,946	10,535	112,441	7,174	1,116	632	8,922	31,051	289	491	31,831	298	-	31	329	-	-	-	-	113,483	28,351	11,689	153,523
Telephone	38,846	6,339	2,530	47,715	14,184	779	691	15,654	34,554	389	505	35,448	2,337	-	244	2,581	(2,346)	(414)	(367)	(3,127)	87,575	7,093	3,603	98,271
Travel	33,633	2,607	1,054	37,294	9,872	2	336	10,210	15,549	113	488	16,150	2,523	-	263	2,786	-	-	-	-	61,577	2,722	2,141	66,440
Total operating expenses	1,873,430	195,690	187,579	2,256,699	224,347	44,017	36,405	304,769	1,095,516	222,987	53,984	1,372,487	23,769	2,543	3,043	29,355	(443,614)	(138,571)	(74,301)	(656,486)	2,773,448	326,666	206,710	3,306,824
Total expenses	\$ 5,532,772	\$ 678,135	\$ 437,434	\$ 6,648,341	\$ 1,172,675	\$ 112,845	\$ 93,111	\$ 1,378,631	\$ 2,524,920	\$ 299,807	\$ 84,617	\$ 2,909,344	\$ 89,947	\$ 2,543	\$ 9,944	\$ 102,434	\$ (756,780)	\$ (152,855)	\$ (85,189)	\$ (994,824)	\$ 8,563,534	\$ 940,475	\$ 539,917	\$ 10,043,926