

**ASSOCIATION OF LUTHERAN
DEVELOPMENT EXECUTIVES, INC.**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association of Lutheran Development Executives, Inc.
Verona, Wisconsin

We have audited the accompanying financial statements of Association of Lutheran Development Executives, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association of Lutheran Development Executives, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was

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derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
October 19, 2018

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 44,854	\$ 76,180
Accounts receivable	5,257	1,198
Prepaid expenses	1,323	5,051
Total current assets	51,434	82,429
EQUIPMENT		
Equipment	29,679	26,740
Website	3,490	3,490
Less accumulated depreciation	(27,469)	(24,835)
Equipment - net	5,700	5,395
OTHER ASSETS		
Certificates of deposit	29,949	29,537
Investments	536,484	512,658
Total other assets	566,433	542,195
Total assets	\$ 623,567	\$ 630,019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,004	\$ 12,913
Deferred revenue	68,635	63,319
Accrued payroll	9,351	7,143
Total liabilities	82,990	83,375
NET ASSETS		
Unrestricted	212,169	230,644
Temporarily restricted	92,921	86,314
Permanently restricted	235,487	229,686
Total net assets	540,577	546,644
Total liabilities and net assets	\$ 623,567	\$ 630,019

See accompanying notes.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Conference	\$ 188,068	\$ -	\$ -	\$ 188,068
Corporate sponsorship	72,496	-	-	72,496
Membership dues	97,845	-	-	97,845
Contributions	50,843	-	5,801	56,644
Educational programs	15,141	-	-	15,141
Executive searches	18,629	-	-	18,629
Investment return	17,274	33,607	-	50,881
Miscellaneous	2,536	-	-	2,536
	<u>462,832</u>	<u>33,607</u>	<u>5,801</u>	<u>502,240</u>
Total revenue and support				
EXPENSES				
Program services	288,750	-	-	288,750
Supporting activities				
Management and general	100,519	-	-	100,519
Membership development	74,817	-	-	74,817
Fundraising	44,221	-	-	44,221
	<u>508,307</u>	<u>-</u>	<u>-</u>	<u>508,307</u>
Total expenses				
Net assets released from restrictions	<u>27,000</u>	<u>(27,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	(18,475)	6,607	5,801	(6,067)
Net assets - beginning of year	<u>230,644</u>	<u>86,314</u>	<u>229,686</u>	<u>546,644</u>
Net assets - end of year	<u>\$ 212,169</u>	<u>\$ 92,921</u>	<u>\$ 235,487</u>	<u>\$ 540,577</u>

See accompanying notes.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Conference	\$ 165,310	\$ -	\$ -	\$ 165,310
Corporate sponsorship	61,895	-	-	61,895
Membership dues	92,886	-	-	92,886
Contributions	53,800	15,000	2,000	70,800
Educational programs	25,279	-	-	25,279
Executive searches	14,427	-	-	14,427
Investment return	21,622	36,815	-	58,437
Miscellaneous	381	-	-	381
	<u>435,600</u>	<u>51,815</u>	<u>2,000</u>	<u>489,415</u>
Total revenue and support				
EXPENSES				
Program services	253,134	-	-	253,134
Supporting activities				
Management and general	88,142	-	-	88,142
Membership development	77,083	-	-	77,083
Fundraising	39,483	-	-	39,483
	<u>457,842</u>	<u>-</u>	<u>-</u>	<u>457,842</u>
Total expenses				
Net assets released from restrictions	<u>10,669</u>	<u>(10,669)</u>	<u>-</u>	<u>-</u>
Change in net assets	(11,573)	41,146	2,000	31,573
Net assets - beginning of year	<u>242,217</u>	<u>45,168</u>	<u>227,686</u>	<u>515,071</u>
Net assets - end of year	<u>\$ 230,644</u>	<u>\$ 86,314</u>	<u>\$ 229,686</u>	<u>\$ 546,644</u>

See accompanying notes.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,067)	\$ 31,573
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,634	1,769
Unrealized and realized gain on investments	(39,620)	(48,099)
Contributions restricted for long-term purposes	(5,801)	(2,000)
(Increase) decrease in assets		
Accounts receivable	(4,059)	(570)
Prepaid expenses	3,728	(2,806)
Increase (decrease) in liabilities		
Accounts payable	(7,909)	7,281
Deferred revenue	5,316	4,594
Accrued payroll	2,208	952
Net cash flows from operating activities	(49,570)	(7,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,939)	(1,682)
Interest retained in certificates of deposit	(412)	(365)
Purchase of investments	(13,556)	(9,862)
Proceeds from sale of investments	29,350	7,829
Net cash flows from investing activities	12,443	(4,080)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	5,801	2,000
Net change in cash	(31,326)	(9,386)
Cash - beginning of year	76,180	85,566
Cash - end of year	<u>\$ 44,854</u>	<u>\$ 76,180</u>

See accompanying notes.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

The Association of Lutheran Development Executives, Inc. (Association) is a nonprofit organization formed in 1979. The Association is a professional membership organization for the Christian fundraising community, including seventeen regional and special interest chapters. Its membership includes professionals working for Christian organizations and Christians working for other not-for-profit agencies.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions. Temporarily restricted net assets at June 30, 2018 were comprised of earnings on endowment investments of \$92,921. Temporarily restricted net assets at June 30, 2017 were comprised of \$71,314 of earnings on endowment investments and \$15,000 for the 2018 conference. Endowment earnings are restricted until appropriated for expenditure by the Board of Directors.

Permanently restricted net assets—Net assets endowed by donors to be maintained by the Association in perpetuity and of which the Association may only expend the investment return.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Based on historical experience and management's review of outstanding accounts, the Association considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Capitalized Assets

The Association capitalizes all acquisitions of equipment and website expenditures in excess of \$500. Capitalized assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,634 and \$1,769.

Investments

The Association carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

Date of Management’s Review

Management has evaluated subsequent events through October 19, 2018, the date which the financial statements were available to be issued.

NOTE 2—INVESTMENTS

Investments at June 30, 2018 and 2017 consisted of mutual funds in the amounts of \$536,484 and \$512,658, respectively. Investments are uninsured and are subject to changes in economic market conditions. The Association’s investment policy attempts to minimize market risk through portfolio diversification. Investment return for the years ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Interest and dividends	\$ 11,261	\$ 10,338
Unrealized and realized gains	39,620	48,099
Investment return	\$ 50,881	\$ 58,437

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds - 2018	<u>\$ 536,484</u>	<u>\$ 536,484</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds - 2017	<u>\$ 512,658</u>	<u>\$ 512,658</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 4—ENDOWMENTS

The Association's endowment consists of investments to support the key assets of the Association from the earnings in which it creates. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>
Donor-restricted	<u>\$ -</u>	<u>\$ 92,921</u>	<u>\$ 235,487</u>	<u>\$ 328,408</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Donor-restricted	<u>\$ -</u>	<u>\$ 71,314</u>	<u>\$ 229,686</u>	<u>\$ 301,000</u>

Interpretation of Relevant Law

The State of Wisconsin enacted UPMIFA effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors of the Association has interpreted Wisconsin's enacted version of UPMIFA as requiring the preservation of the historic dollar value of the original gift plus any subsequent gifts of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with Wisconsin's enacted version of UPMIFA, the Association expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4—ENDOWMENTS (continued)

inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Return Objectives and Risk Parameters

The Association has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The primary asset allocation will be split between cash equivalents, equity, and fixed income securities. The ongoing percentage allocation to each sub-asset class may vary within the established range depending upon market conditions. The primary investment goal is to invest for a total return for a long-term time horizon.

Strategies Employed for Achieving Objectives

The Endowment Fund investment objectives for the Association are to:

- Maximize return on investment while exercising prudent stewardship of the resources entrusted to the Association
- Grow the corpus of invested funds so as to provide appropriate income for the designated purposes of the fund while protecting the corpus from attrition due to inflation

The annual spending rate will be from 4% - 6% of the fair value of the fund as of March 31, with the actual to be determined annually by the Finance Committee. The determination will be made for purposes of budgeting and distribution in the next fiscal year by the Board of Directors.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4—ENDOWMENTS (continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>
Endowment net assets- beginning	\$ -	\$ 71,314	\$ 229,686	\$ 301,000
Contributions	-	-	5,801	5,801
Investment income	-	5,921	-	5,921
Net appreciation	-	27,686	-	27,686
Appropriation for expenditures	-	(12,000)	-	(12,000)
Endowment net assets- ending	<u>\$ -</u>	<u>\$ 92,921</u>	<u>\$ 235,487</u>	<u>\$ 328,408</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Endowment net assets- beginning	\$ -	\$ 45,168	\$ 227,686	\$ 272,854
Contributions	-	-	2,000	2,000
Investment income	-	5,522	-	5,522
Net appreciation	-	31,293	-	31,293
Appropriation for expenditures	-	(10,669)	-	(10,669)
Endowment net assets- ending	<u>\$ -</u>	<u>\$ 71,314</u>	<u>\$ 229,686</u>	<u>\$ 301,000</u>

NOTE 5—RETIREMENT PLAN

The Association sponsors a 403b defined contribution pension plan for the benefit of its regular employees who are regularly scheduled to work at least 20 hours per week for six months or more per year. The Association makes a contribution to the plan each year equal to 10% of the employee's compensation for all non-church rostered employees. For the current Executive Director, the contribution meets the salary guidelines of the South-Central Synod of Wisconsin, which sets the minimum contribution at 12%. Employees are 100% vested in all contributions made on their behalf. The Association's contributions for the years ended June 30, 2018 and 2017 were \$18,006 and \$16,029.

NOTE 6—COMMITMENTS

During the year ended June 30, 2018, the Association entered into two conference center contracts for future annual conferences. If the Association chooses not to hold the events at the conference centers, it may incur cancellation fees and could be liable for penalties that range from approximately \$42,000 to \$265,000.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 7—RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Association paid the relative of a board member \$10,200 and \$10,200 for outsourced accounting services and a board member \$11,583 and \$10,639 for membership consulting services.

NOTE 8—LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association has \$50,636 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and accounts receivable. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Association has a goal to maintain financial assets, which consist of cash and accounts receivable, on hand to meet at least 30 days of normal operating expenses, which are, on average, approximately \$43,000. As part of its liquidity management, the Association invests cash in excess of daily requirements in certificates of deposit.

ASSOCIATION OF LUTHERAN DEVELOPMENT EXECUTIVES, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended June 30, 2018 and 2017

	Program Services	Management and General	Membership Development	Fundraising	2018 Total
Personnel	\$ 55,720	\$ 56,063	\$ 62,900	\$ 34,983	\$ 209,666
Conferences	178,917	-	-	-	178,917
Office	22,560	12,982	10,024	2,202	47,768
Professional fees	18,915	17,601	-	-	36,516
Travel	7,227	-	-	-	7,227
Information technology	1,676	1,686	1,893	1,052	6,307
Board expenses	-	10,764	-	-	10,764
Awards and honorarium	2,245	-	-	-	2,245
Depreciation	1,490	704	-	440	2,634
Marketing	-	-	-	5,544	5,544
Miscellaneous	-	719	-	-	719
Total expenses	\$ 288,750	\$ 100,519	\$ 74,817	\$ 44,221	\$ 508,307
	Program Services	Management and General	Membership Development	Fundraising	2017 Total
Personnel	\$ 55,062	\$ 52,130	\$ 60,113	\$ 33,070	\$ 200,375
Conferences	150,022	-	-	-	150,022
Office	25,860	10,461	5,818	1,689	43,828
Professional fees	7,315	16,900	9,253	-	33,468
Travel	5,044	-	-	-	5,044
Information technology	1,739	1,647	1,899	1,044	6,329
Board expenses	-	4,856	-	-	4,856
Awards and honorarium	7,075	-	-	-	7,075
Depreciation	1,017	460	-	292	1,769
Marketing	-	-	-	3,388	3,388
Miscellaneous	-	1,688	-	-	1,688
Total expenses	\$ 253,134	\$ 88,142	\$ 77,083	\$ 39,483	\$ 457,842