

LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS

COMBINED AUDITED FINANCIAL STATEMENTS
AUGUST 31, 2011 and 2010

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, Virginia

LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Combined Statements of Financial Position	2
Combined Statements of Activities	3
Combined Statements of Cash Flows	4
Combined Statements of Functional Expenses	5
Notes to Combined Financial Statements	6-13

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

P.O. Box 2584
Winchester, VA 22604

INDEPENDENT AUDITORS' REPORT

Boards of Directors
Lutheran Volunteer Corps and
Lutheran Service Corps
Washington, DC

We have audited the accompanying combined statement of financial position of Lutheran Volunteer Corps and Lutheran Service Corps, as of August 31, 2011 and 2010, and the related combined statements of activities, cash flows and functional expenses for the years then ended. These combined financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Volunteer Corps and Lutheran Service Corps, as of August 31, 2011 and 2010 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants
Chantilly, Virginia

December 7, 2011

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

**COMBINED STATEMENTS OF FINANCIAL POSITION
August 31, 2011 and 2010**

ASSETS

	2011			2010		
	<u>LVC</u>	<u>LSC</u>	<u>Total</u>	<u>LVC</u>	<u>LSC</u>	<u>Total</u>
Current Assets						
Cash and cash equivalents	\$ 410,780	\$ 61,107	\$ 471,887	\$ 556,572	\$ 37,670	\$ 594,242
Investments	138,755	29,977	168,732	123,234	41,110	164,344
Accounts receivable	44,214	1,430	45,644	91,078	750	91,828
Prepaid expenses	122,845	-	122,845	62,866	-	62,866
Total Current Assets	<u>716,594</u>	<u>92,514</u>	<u>809,108</u>	<u>833,750</u>	<u>79,530</u>	<u>913,280</u>
Property and Equipment						
Furniture and office equipment	41,331	50,000	91,331	31,328	50,000	81,328
Less: Accumulated depreciation	(28,769)	(16,411)	(45,180)	(24,263)	(15,385)	(39,648)
Net Property and Equipment	<u>12,562</u>	<u>33,589</u>	<u>46,151</u>	<u>7,065</u>	<u>34,615</u>	<u>41,680</u>
Other Assets						
Rental deposits	40,771	-	40,771	40,651	-	40,651
Total Assets	<u>\$ 769,927</u>	<u>\$ 126,103</u>	<u>\$ 896,030</u>	<u>\$ 881,466</u>	<u>\$ 114,145</u>	<u>\$ 995,611</u>

LIABILITIES AND NET ASSETS

Liabilities						
Accounts payable and accrued liabilities	\$ 67,178	\$ 520	\$ 67,698	\$ 92,068	\$ 2,249	\$ 94,317
Deferred revenues	583,629	-	583,629	474,030	-	474,030
Total Current Liabilities	<u>650,807</u>	<u>520</u>	<u>651,327</u>	<u>566,098</u>	<u>2,249</u>	<u>568,347</u>
Net Assets						
Unrestricted	(19,635)	119,787	100,152	82,984	110,564	193,548
Unrestricted - Board Designated Vision Fund	58,587	-	58,587	57,883	-	57,883
Unrestricted - Board Designated Endowment	80,168	-	80,168	65,351	-	65,351
Temporarily Restricted	-	5,796	5,796	109,150	1,332	110,482
Total Net Assets	<u>119,120</u>	<u>125,583</u>	<u>244,703</u>	<u>315,368</u>	<u>111,896</u>	<u>427,264</u>
Total Liabilities and Net Assets	<u>\$ 769,927</u>	<u>\$ 126,103</u>	<u>\$ 896,030</u>	<u>\$ 881,466</u>	<u>\$ 114,145</u>	<u>\$ 995,611</u>

The accompanying notes are an integral part of these financial statements.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

**COMBINED STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2011 and 2010**

	2011			2010			Total
	LVC Unrestricted	LSC Unrestricted	LVC Temporarily Restricted	LVC Unrestricted	LSC Unrestricted	LVC Temporarily Restricted	
Changes in Net Assets Revenues and Support							Total
Volunteer housing income	\$ 780,700	\$ 18,290	-	\$ 601,217	\$ 17,125	-	\$ 618,342
Agency placement fees	549,700	-	-	459,945	-	-	459,945
Contributions	280,074	23,523	-	297,224	25,059	-	323,615
Foundation grants	12,000	-	(18,750)	91,850	-	1,332	201,000
Volunteer health fees	194,265	-	-	164,540	-	-	164,540
Volunteer travel income	96,308	-	-	79,060	-	-	79,060
Special events, net of direct costs	4,320	27,161	-	9,042	26,276	-	35,318
Other revenue	20,918	-	-	17,556	-	-	17,556
Contributed services	15,700	-	-	9,019	-	-	9,019
Investment income	25,662	1,858	-	885	5,195	-	6,080
Intercompany transfer	39,221	(39,221)	-	43,795	(43,795)	-	-
Net assets released from restriction	90,400	636	(90,400)	46,441	-	(46,441)	-
Total Revenues and Support	2,109,268	32,247	(109,150)	1,820,574	29,860	1,332	1,914,475
Expenses							
Program expenses	1,974,983	16,331	-	1,598,054	16,273	-	1,614,327
Management and general	84,502	6,693	-	80,807	7,436	-	88,243
Fundraising	136,881	-	-	128,488	2	-	128,490
Total Expenses	2,196,366	23,024	-	1,807,349	23,711	-	1,831,060
Change in Net Assets	(87,098)	9,223	(109,150)	13,225	6,149	1,332	83,415
Net Assets at Beginning of Year	206,218	110,564	109,150	192,993	104,415	46,441	343,849
Net Assets at End of Year	\$ 119,120	\$ 119,787	\$ -	\$ 206,218	\$ 110,564	\$ 1,332	\$ 427,264

The accompanying notes are an integral part of these financial statements.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

**COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (182,561)	\$ 83,415
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	5,532	4,266
Unrealized gain on investments	(21,876)	-
Changes in operating assets and liabilities		
Increase in accounts receivable	46,184	(3,556)
Decrease (increase) in prepaid expenses	(59,979)	17,793
Increase in rental deposits	(120)	(7,700)
(Decrease) increase in accounts payable and accrued liabilities	(26,619)	(13,806)
Increase in deferred revenues	109,599	171,528
	<u>(129,840)</u>	<u>251,940</u>
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(10,003)	(6,412)
Proceeds on sale of investments	22,957	-
Purchases of investments	(5,469)	(6,976)
	<u>7,485</u>	<u>(13,388)</u>
Net cash provided by (used in) investing activities		
Change in cash and cash equivalents	(122,355)	238,552
Cash and cash equivalents, beginning of year	<u>594,242</u>	<u>355,690</u>
Cash and cash equivalents, end of year	<u>\$ 471,887</u>	<u>\$ 594,242</u>

The accompanying notes are an integral part of these financial statements.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2011**

	Program Services		Management & General		Fundraising		Total
	LVC	LSC	LVC	LSC	LVC	LSC	
Expenses							
Salaries	\$ 579,445	\$ -	\$ 32,413	\$ -	\$ 86,221	\$ -	\$ 698,079
Volunteer housing	614,238	7,997	-	-	-	-	622,235
Retreats, workshops, and special events	182,811	3,428	-	-	-	-	186,239
Volunteer health insurance	167,634	-	-	-	-	-	167,634
Employee benefits	148,904	-	4,670	-	13,682	-	167,256
Travel	64,669	-	8,193	3,852	2,546	-	79,260
Volunteer travel	66,848	1,440	-	-	-	-	68,288
Professional services	38,917	-	17,632	-	4,638	-	61,187
Photocopying and printing	21,518	-	3,356	1,176	13,418	-	39,468
Other expenses	19,012	-	5,678	209	5,803	-	30,702
Office rent	23,092	-	1,320	-	1,320	-	25,732
Training	8,291	-	2,900	-	5,177	-	16,368
Postage	10,108	-	329	538	3,379	-	14,354
Insurance	9,341	2,440	1,873	-	-	-	13,654
Telephone	12,009	-	26	-	26	-	12,061
Equipment	5,625	-	277	-	671	-	6,573
Depreciation	-	1,026	4,506	-	-	-	5,532
Supplies	2,521	-	1,329	918	-	-	4,768
Total Expenses	\$ 1,974,983	\$ 16,331	\$ 84,502	\$ 6,693	\$ 136,881	\$ -	\$ 2,219,390

The accompanying notes are an integral part of these financial statements.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2010**

	Program Services		Management & General		Fundraising		Total
	LVC	LSC	LVC	LSC	LVC	LSC	
Expenses	\$ 473,912	\$ -	\$ 29,393	\$ -	\$ 81,772	\$ -	\$ 585,077
Salaries	505,404	8,309	-	-	-	-	513,713
Volunteer housing	147,714	-	-	-	-	-	147,714
Volunteer health insurance	115,058	32	6,924	8	11,733	2	133,757
Employee benefits	114,189	3,273	45	-	4,031	-	121,538
Retreats, workshops, and special events	43,877	-	14,200	-	6,514	-	64,591
Professional services	43,515	-	8,669	3,667	3,064	-	58,915
Travel	50,854	1,440	-	-	-	-	52,294
Volunteer travel	27,118	-	1,430	-	1,430	-	29,978
Office rent	13,987	-	6,794	941	7,013	-	28,735
Photocopying and printing	14,343	-	5,241	771	4,664	-	25,019
Other expenses	9,489	-	197	723	4,730	-	15,139
Postage	9,783	-	440	-	3,438	-	13,661
Training	9,986	2,193	1,273	-	-	-	13,452
Insurance	11,675	-	501	-	99	-	12,275
Telephone	4,971	-	2,416	1,326	-	-	8,713
Supplies	-	1,026	3,240	-	-	-	4,266
Depreciation	2,179	-	44	-	-	-	2,223
Equipment							
Total Expenses	\$ 1,598,054	\$ 16,273	\$ 80,807	\$ 7,436	\$ 128,488	\$ 2	\$ 1,831,060

The accompanying notes are an integral part of these financial statements.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies

Lutheran Volunteer Corps (LVC) was founded in Washington, D.C. by Luther Place Memorial Church in 1979. Lutheran Volunteer Corps was incorporated as a non-profit corporation on September 1, 2003. Lutheran Service Corps (LSC) is a non-profit corporation founded in Nebraska in 1992. Lutheran Volunteer Corps and Lutheran Service Corps are domestic volunteer service programs for men and women who want to work for social justice, live in an intentional community with other volunteers, experience a more simplified and sustainable lifestyle, and explore spirituality. Revenues consist principally of participating agency fees and contributions.

A summary of the corporations' significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

- (a) **Basis of Presentation** – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.
- (b) **Principles of Combination** – The combined financial statements include the accounts of Lutheran Volunteer Corps and Lutheran Service Corps, which are considered organizations under common control. All intercompany transactions have been eliminated.
- (c) **Financial Statement Presentation** – The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-For-Profit Organizations*. Under FASB Statement No. 117 the organizations are required to report information regarding their financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The organizations do not have any permanently restricted net assets.

Unrestricted net assets – includes unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the general operation of the organizations.

Temporarily restricted net assets – includes revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

- (d) **Support and Expenses** – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The organizations reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies (Continued)

- (e) **Statements of Cash Flows** – The organizations consider substantially all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.
- (f) **Investments** – Investments are recorded at market value. Realized and unrealized gains and losses are included in investment income in the statements of activities.
- (g) **Property and Equipment** - Property and equipment in excess of \$1,500 are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally three years for equipment and thirty-nine years for buildings. Expenditures for maintenance and repairs are charged against income as incurred; betterments that increase the value or materially extend the life of the related assets are capitalized.
- (h) **Income Taxes** – LVC and LSC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on all income other than unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements. Both LVC and LSC have been determined not to be private foundations as defined under Section 509(a).
- (i) **Uncertain Tax Positions** – The Organizations have adopted the provisions of Financial Accounting Standards (FASB) interpretation No. 48 “Accounting for Uncertainty in Income Taxes.” The Interpretation provides clarification on accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes.” The interpretation prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. As of August 31, 2011, the organizations have no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended August 31, 2008 through 2010.
- (j) **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Accounting Policies (Continued)

- (k) Concentrations of Credit and Market Risk - Financial instruments that potentially expose the organizations to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions which, at times, may exceed federally insured limits. The organizations monitor these balances and do not believe they represent significant credit risks. Credit exposure is limited at any one institution. The organizations have not experienced any losses on cash equivalents. The organizations' investments do not represent significant concentrations of market risk as the investment portfolio is adequately diversified amongst issuers and industries.
- (l) Contributed Goods and Services – Contributed goods are recorded as income and expense at the time the goods are received, which is normally also the time they are placed into service or distributed. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or would have been purchased if not provided by donation, require special skills, and are provided by individuals possessing such specialized skills.
- (m) Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (n) Advertising Costs – Advertising costs are expensed as incurred.
- (o) Reclassifications – Certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

NOTE 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Checking accounts – LVC	\$410,780	\$556,572
Checking accounts – LSC	<u>61,107</u>	<u>37,670</u>
Total Cash and Cash Equivalents	<u>\$471,887</u>	<u>\$594,242</u>

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 3 – Investments

Investments are stated at market value and consisted of the following at August 31, 2011 and 2010:

	<u>2011</u>		<u>2010</u>	
<u>LVC</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Pooled investment trust	\$ 96,236	\$114,118	\$111,592	\$109,741
Money market funds	24,637	24,637	13,493	13,493
 <u>LSC</u>				
Corporate bonds	25,256	25,871	24,281	24,983
Money market funds	<u>4,106</u>	<u>4,106</u>	<u>16,127</u>	<u>16,127</u>
Total	<u>\$150,235</u>	<u>\$168,732</u>	<u>\$165,493</u>	<u>\$164,344</u>

Components of investment income included the following:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 5,644	\$ 7,255
Gains (losses) on investments	<u>21,876</u>	<u>(1,175)</u>
Total	<u>\$27,520</u>	<u>\$6,080</u>

NOTE 4 – Property and Equipment

Property and equipment consisted of the following as of August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	<u>Cost</u>	<u>Depreciation Expense</u>
Building - LSC	\$50,000	\$1,026
Furniture and equipment - LVC	<u>41,331</u>	<u>4,506</u>
Total	<u>\$91,331</u>	<u>\$5,532</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>
Building - LSC	\$50,000	\$15,385
Furniture and equipment - LVC	<u>31,328</u>	<u>24,263</u>
Total	<u>\$81,328</u>	<u>\$39,648</u>

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
<u>LVC</u>		
Thrivent Grant	\$ -	\$ 50,400
ELCA Elderly Endowment	-	58,750
<u>LSC</u>		
Hillstrom House Maintenance	<u>5,796</u>	<u>1,332</u>
Total	<u>\$5,796</u>	<u>\$110,482</u>

Temporarily restricted assets were released from restrictions by satisfying either the stated time or purpose restrictions as follows:

	<u>2011</u>	<u>2010</u>
Fund for Theological Education	\$ -	\$46,441
Thrivent Grant	50,400	-
ELCA Elderly Endowment	40,000	-
Hillstrom House Maintenance	<u>636</u>	<u>-</u>
	<u>\$91,036</u>	<u>\$46,441</u>

NOTE 6 – Board Restricted Funds

The Board Restricted Funds consist of money designated by the Lutheran Volunteer Corps Board of Directors for future purposes. Because of a lack of donor restrictions, these funds are considered unrestricted in accordance with FASB Statement No. 117. However, LVC wishes to disclose these funds separately to reflect the Board's desire that these funds be retained and invested to support long-term objectives of the organization. These Board Restricted Funds consisted of the following as of August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Vision Fund - beginning of the year	\$57,883	\$57,107
Distributions	(10,000)	-
Investment income	2,236	1,524
Increase (decrease) in value of assets	<u>8,468</u>	<u>(748)</u>
Vision Fund - end of year	<u>\$58,587</u>	<u>\$57,883</u>

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 7 – Endowment Funds

LVC's endowment consists of a single fund designated by the Board of Directors to function as an endowment to generate annual income for operating and other expenses. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. A Board resolution created the endowment fund with an initial funding amount of \$67,000. However, as that resolution did not require the endowment principal to be maintained at a specified level LVC reports the board designated endowment fund net assets at the current value of the related investment account balance.

Endowment net asset composition by type of fund as of August 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
LVC Board designated endowment fund	<u>\$80,168</u>	<u>\$65,351</u>

Changes in endowment net asset composition for the years ended August 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets - beginning of the year	\$65,351	\$62,768
Investment income	3,245	3,166
Net appreciation (depreciation)	<u>11,572</u>	<u>(583)</u>
Endowment net assets - end of year	<u>\$80,168</u>	<u>\$65,351</u>

Return Objectives and Risk Parameters – The investment decisions are made by the finance committee of the board of directors. The investments are structured to generate annual income for operating expenses. The investment objectives are to provide growth, capital preservation, diversification to reduce risk and liquidity to fund draws. Allowable investment vehicles include high quality equity, bond and other fixed income mutual funds. The target asset allocation is 60-80% equities and 20-40% fixed income.

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

Spending Policy – LVC has a policy of appropriating for distributions each year 4-5 percent of its endowment fund's average fair value over the prior three years as of the end of the calendar year preceding the time of the budget calculation. In establishing this policy, LVC considered the long-term expected return on its endowment. Accordingly, over the long-term, LVC expects the current spending policy to allow its endowment to grow at an average rate of 4-5 percent annually. This is consistent with LVC'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.

**LUTHERAN VOLUNTEER CORPS
AND
LUTHERAN SERVICE CORPS**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 8 – Contingencies and Commitments

The Lutheran Volunteer Corps entered into various lease agreements for office space and residential facilities for volunteers. Future minimum lease payments for all leases are as follows:

Year Ending August 31,	
2012	\$476,334
2013	<u>52,740</u>
Total	<u>\$529,074</u>

Rent expense for the years ended August 31, 2011 and 2010, was \$551,397 and \$453,358, respectively.

NOTE 9 – Evaluation of Subsequent Events

The organizations have evaluated subsequent events through February 29, 2012, the date which the financial statements were available to be issued.