

## **NEWS RELEASE**

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For immediate release

FARGO, N.D. — Lutheran Social Services of North Dakota — a non-profit agency with predecessor organizations dating to 1919 — has suspended programs and issued layoffs as part of a controlled liquidation plan.

The agency's Board of Directors, after accepting reports from staff leadership, external advisers and legal counsel, passed a resolution that confirms actions leading to a liquidation, including a bankruptcy filing, if necessary.

The decision was driven in large part by continued struggles of Lutheran Social Services Housing, an affiliated program. LSS Housing, which started in 2009, impacted agency reserves and resulted in negative cash flow projections, according to Bob Otterson, who started Dec. 1, 2020, as the agency's president and chief executive officer.

"LSS Housing in recent years has been draining the reserves of the affiliated agency," Otterson said. "This financial pressure has hampered the ability of an essential, faith-based organization to serve its clients, specifically those in primary mission areas such as services to children, families, seniors and others."

The action affects employment of 283 full-time and part-time staff and several long-term contractors.

LSS North Dakota leaders have informed employees about what they can expect in the coming days. Similarly, professionals in mental health and behavioral health programs are working with their clients on options for referrals and other services, Otterson said.

The issues came to a head early this week, Otterson said.

"While developing a systematic exit from the housing market, agency leaders and external advisers determined over the past six weeks that the agency's financial health had been compromised to the point where a positive cash flow has become unachievable in the next six months," Otterson said.

The board's directors, in their deliberations, acknowledged that decisions made two, four, even 10 years ago, created the financial crisis that has forced a bankruptcy resolution, according to Murray Sagsveen, the board's chairman.

"Obvious economic realities — such as the downturn in oil production and a global pandemic — have been factors in this outcome," Sagsveen said. "However, the primary factors remain the LSS Housing business model, its accumulated debt, its inability to cover its expenses and other agency-level decisions made in previous years."

“The agency has lived up to its mission of bringing healing, help and hope to neighbors,” Otterson said. “Unfortunately some chronic financial issues have forced the actions of this very difficult day.”

LSS Housing was created to address the need for affordable housing in communities across the state, particularly as demand was driving up housing costs in oil-producing areas of western North Dakota. Further study noted the housing needs of people on fixed incomes across the state. LSSND invested more about \$16 million in cash and secured additional funding that provided safe sustaining housing for hundreds of families, seniors and individuals. LSS Housing owns and operates 22 properties in 14 communities and manages another 14 residential properties in 10 communities.