

LUTHERAN BIBLE TRANSLATORS, INC.
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

LUTHERAN BIBLE TRANSLATORS, INC.

DECEMBER 31, 2017 AND 2016

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Lutheran Bible Translators, Inc.
Concordia, Missouri**

We have audited the accompanying financial statements of Lutheran Bible Translators, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and December 31, 2016, and the related statements of activities, statements of functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 auditors' 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 Lutheran Bible Translators, Inc. as of December 31, 2017 and December 31, 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emerick + Company, P.C.

May 4, 2018
Kansas City, Missouri

LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,555,425	\$ 1,379,731
Contributions receivable	-	97,251
Advances to field offices	12,391	38,706
Other receivables	-	2,665
Prepaid expenses	34,813	3,934
Total Current Assets	3,602,629	1,522,287
OTHER ASSETS		
Investments	3,299,385	2,515,259
Note Receivable	439,332	446,167
Total Other Assets	3,738,717	2,961,426
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	179,870	179,870
Field equipment	426,312	423,304
Office equipment	54,106	49,837
	660,288	653,011
Accumulated depreciation	(391,371)	(326,075)
Net Property and Equipment	268,917	326,936
TOTAL ASSETS	\$ 7,610,263	\$ 4,810,649
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 122,284	\$ 65,255
Accrued expenses	42,335	67,049
Total Current Liabilities	164,619	132,304
NET ASSETS		
Unrestricted	3,576,239	1,727,875
Board designated	2,539,813	1,839,314
Temporarily restricted	963,686	747,105
Permanently restricted	365,906	364,051
Total Net Assets	7,445,644	4,678,345
TOTAL LIABILITIES AND NET ASSETS	\$ 7,610,263	\$ 4,810,649

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31,

	2017	2016
UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUE		
Contributions	\$ 3,478,756	\$ 3,319,053
Bequests	2,567,364	921,780
Investment income, net	333,106	174,508
Other income	4,897	7,628
Net assets released from restrictions	98,146	80,153
Total support and revenue	6,482,269	4,503,122
EXPENSES		
Program services:		
Field services	2,630,525	2,465,754
Program ministries	601,544	590,521
Total program services	3,232,069	3,056,275
Supporting services:		
Management and general	511,224	424,272
Fundraising	190,113	179,752
Total supporting services	701,337	604,024
Total Expenses	3,933,406	3,660,299
CHANGE IN UNRESTRICTED NET ASSETS	2,548,863	842,823
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	237,516	196,645
Investment income, net	77,211	43,489
Net assets released from restrictions	(98,146)	(80,153)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	216,581	159,981
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	1,855	3,934
Net assets released from restrictions	-	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	1,855	3,934
OTHER CHANGES IN NET ASSETS		
Gain on sale of property and equipment	-	426,077
OTHER CHANGES IN NET ASSETS	-	426,077
CHANGE IN NET ASSETS	2,767,299	1,432,815
NET ASSETS, Beginning of period	4,678,345	3,245,530
NET ASSETS, End of period	\$ 7,445,644	\$ 4,678,345

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services			Supporting Services			Total Expenses
	Field Services	Program Ministries	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 824,303	\$ 262,700	\$ 1,087,003	\$ 231,475	\$ 135,547	\$ 367,022	\$ 1,454,025
Retirement plan	92,996	29,327	122,323	29,867	-	29,867	152,190
Other employee benefits	461,109	114,847	575,956	68,796	-	68,796	644,752
Payroll taxes	64,546	19,825	84,371	22,825	-	22,825	107,196
Newsletter	24,995	12,313	37,308	11	4,170	4,181	41,489
Direct mailings	3,530	1,739	5,269	-	47,417	47,417	52,686
Professional fees	64,456	10,805	75,261	40,000	-	40,000	115,261
Supplies	21,896	2,448	24,344	2,774	-	2,774	27,118
Telecommunications	20,184	5,152	25,336	3,193	-	3,193	28,529
Postage and shipping	10,067	6,201	16,268	7,290	-	7,290	23,558
Occupancy	92,438	6,056	98,494	8,531	-	8,531	107,025
Equipment rental and maintenance	32,452	9,564	42,016	20,211	-	20,211	62,227
Printing and publication	3,974	12,803	16,777	6,577	-	6,577	23,354
Travel	290,650	58,340	348,990	49,988	-	49,988	398,978
Conferences, meetings, and workshops	15,605	33,667	49,272	1,858	-	1,858	51,130
Missionary/national support	43,566	6,865	50,431	1,532	-	1,532	51,963
Special project expenses	483,409	-	483,409	-	-	-	483,409
Other expenses	24,340	8,892	33,232	7,009	2,979	9,988	43,220
Total Expenses Before Depreciation	2,574,516	601,544	3,176,060	501,937	190,113	692,050	3,868,110
Depreciation	56,009	-	56,009	9,287	-	9,287	65,296
Total Expenses	\$ 2,630,525	\$ 601,544	\$ 3,232,069	\$ 511,224	\$ 190,113	\$ 701,337	\$ 3,933,406

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services			Supporting Services			Total Expenses
	Field Services	Program Ministries	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 809,916	\$ 255,855	\$ 1,065,771	\$ 186,235	\$ 132,113	\$ 318,348	\$ 1,384,119
Retirement plan	92,550	27,329	119,879	22,655	-	22,655	142,534
Other employee benefits	465,462	122,048	587,510	52,284	-	52,284	639,794
Payroll taxes	62,501	19,298	81,799	19,228	-	19,228	101,027
Newsletter	22,817	11,240	34,057	12	3,784	3,796	37,853
Direct mailings	3,061	1,508	4,569	-	41,119	41,119	45,688
Professional fees	12,658	10,242	22,900	14,297	-	14,297	37,197
Supplies	30,559	3,735	34,294	4,750	-	4,750	39,044
Telecommunications	27,249	4,568	31,817	4,018	-	4,018	35,835
Postage and shipping	17,718	9,260	26,978	13,107	-	13,107	40,085
Occupancy	101,412	5,473	106,885	8,115	-	8,115	115,000
Equipment rental and maintenance	19,661	4,426	24,087	6,663	-	6,663	30,750
Printing and publication	6,560	5,682	12,242	16,626	-	16,626	28,868
Travel	277,612	62,278	339,890	39,702	-	39,702	379,592
Conferences, meetings, and workshops	28,565	18,808	47,373	8,260	-	8,260	55,633
Missionary/national support	48,975	11,042	60,017	314	-	314	60,331
Special project expenses	358,903	-	358,903	-	-	-	358,903
Other expenses	14,699	17,729	32,428	8,927	2,736	11,663	44,091
Total Expenses Before Depreciation	2,400,878	590,521	2,991,399	405,193	179,752	584,945	3,576,344
Depreciation	64,876	-	64,876	19,079	-	19,079	83,955
Total Expenses	\$ 2,465,754	\$ 590,521	\$ 3,056,275	\$ 424,272	\$ 179,752	\$ 604,024	\$ 3,660,299

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in net assets	\$ 2,767,299	\$ 1,432,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,296	83,955
Realized gain on investments	(29,580)	(97,831)
Unrealized (gain) loss on investments	(293,025)	(70,014)
Gain on sale of property and equipment	-	(426,077)
Changes in:		
Contributions receivable	97,251	45,711
Advances to field offices	26,315	(8,883)
Other receivables	2,665	33,523
Prepaid expenses	(30,879)	10,580
Accounts payable	57,029	(107,822)
Accrued expenses	<u>(24,714)</u>	<u>(8,112)</u>
Net cash provided by operating activities	<u>2,637,657</u>	<u>887,845</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	6,835	3,833
Purchases of investments, net	(461,521)	(617,845)
Purchases of property and equipment	(7,277)	(30,674)
Proceeds from sale of property and equipment	<u>-</u>	<u>287,116</u>
Net cash used in investing activities	<u>(461,963)</u>	<u>(357,570)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,175,694	530,275
 CASH AND CASH EQUIVALENTS, Beginning of period	<u>1,379,731</u>	<u>849,456</u>
 CASH AND CASH EQUIVALENTS, End of period	<u><u>\$ 3,555,425</u></u>	<u><u>\$ 1,379,731</u></u>
 Supplemental Cash Flow Information:		
The Organization received a note receivable related to the sale of the Aurora, Illinois facility	<u><u>\$ -</u></u>	<u><u>\$ 450,000</u></u>

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Basis of Accounting

The Lutheran Bible Translators, Inc. (the Organization), formerly Messengers for Christ, is a not-for-profit religious organization engaged in a worldwide ministry of bible translation, literacy, and scripture use. The ministry is conducted through a world-wide staff of missionaries who work in partnership with a global network of Lutheran church bodies and indigenous translation and literacy organizations in host countries.

The ministry program is reported in two categories; field services and program ministries. Field services include activities directly related to the world-wide staff of missionaries. Program ministries include activities related to world-wide staff of missionaries but conducted through the United States offices of the Organization.

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Contributions

Contributions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met by activities of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization.

Contributed Services

Contributed in-kind support is recognized if professional services are received that (a) create or enhance long-lived assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation or (c) goods donated that can be used for the Organization's purpose. No contributed services were recognized in 2017 or 2016.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– continued

Functional Expense Allocation

The Organization allocates its expenses on a functional basis between its various program and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on management's estimate of usage.

Property and Equipment

The Organization capitalizes equipment over \$1,000. Depreciation and amortization for financial reporting is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment is being depreciated over estimated useful lives of three to 30 years using the straight-line method.

Contributions Receivable

Contributions receivable due in one year or less are reported at net realizable value. Contributions receivable due after one year or more, net of allowance for uncollectible amounts, if applicable, are reported at fair value. An allowance for uncollectible receivables is recorded if it is probable that not all amounts will be collected and the amount can be reasonably estimated. Fair value is determined by estimating the present value using a determined discount rate. Amortization of the discount is recorded as additional contribution revenue. The fair value of contributions receivable is adjusted at each reporting date based on changes in the expected timing and amount of future cash flows.

Revenue Recognition

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. All other revenues are recognized as revenue in the period earned.

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 in the financial statements. Actual results could differ from management's estimates.

Subsequent Events

Subsequent events have been evaluated through May 4, 2018, which is the date the financial statements were available to be issued.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 2: FAIR MARKET VALUE OF INVESTMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value for certain assets and liabilities. These provisions establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Mutual funds: Valued at net asset value (NAV) of shares held by the Organization as of the measurement date, which is considered to represent the fair value of the shares traded in the active market.

Assets measured at fair value on a recurring basis at December 31, 2017 were as follows:

	<u>Total 2017</u>	<u>Quoted Prices In Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Observable Inputs</u>
Mutual funds	\$ 3,296,077	\$ 3,296,077	\$ -	\$ -
	<u>\$ 3,296,077</u>	<u>\$ 3,296,077</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 2: FAIR MARKET VALUE OF INVESTMENTS - continued

Assets measured at fair value on a recurring basis at December 31, 2016 were as follows:

	<u>Total 2017</u>	<u>Quoted Prices In Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Observable Inputs</u>
Mutual funds	\$ 2,476,211	\$ 2,476,211	\$ -	\$ -
	<u>\$ 2,476,211</u>	<u>\$ 2,476,211</u>	<u>\$ -</u>	<u>\$ -</u>

Investments consist of money market and mutual funds investing in debt and equity securities which are stated at fair value as determined by quoted market prices at the date of financial position. All funds held in the investment portfolio at December 31, 2017 and 2016 are considered to be Level 1 type assets.

The following summarizes the net investment income for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Unrealized gains	\$ 234,065	\$ 58,960	\$ 293,025
Realized gains	24,934	4,646	29,580
Interest and dividends	98,587	13,605	112,192
Less: Investment related expenses	<u>(24,480)</u>	<u>-</u>	<u>(24,480)</u>
	<u>\$ 333,106</u>	<u>\$ 77,211</u>	<u>\$ 410,317</u>

The following summarizes the net investment income for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Unrealized gains	\$ 56,649	\$ 13,365	\$ 70,014
Realized gains	79,159	18,672	97,831
Interest and dividends	62,203	11,452	73,655
Less: Investment related expenses	<u>(23,503)</u>	<u>-</u>	<u>(23,503)</u>
	<u>\$ 174,508</u>	<u>\$ 43,489</u>	<u>\$ 217,997</u>

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 3: ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“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, the Organization 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
- c) Accumulations to the permanent endowment made in accordance with the direction of the application 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considered 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 Organization and 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 the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies 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.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return between 5% and 6% annually. Actual returns in any given year may vary from this amount.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 3: ENDOWMENT FUNDS – continued

Strategies Employed for Achieving Objectives

The Organization has a policy to set spending equal to 4% of the total portfolio value, without touching principal, each year unless specific endowment agreements limit the spending amount. No principal will be used in spending. In establishing this policy, the Organization considered preservation of principal on its endowment. Therefore, these funds may tend toward a more “conservative” investment strategy. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional provide additional real growth through new gifts and investment return.

Endowment net asset composition by purpose of fund at December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Mission projects	\$ -	\$ 222,705	\$ -	\$ 222,705
Board designated	2,539,813	-	-	2,539,813
Education and training	63,837	26,435	179,034	269,306
Translation	24,412	29,322	86,535	140,269
General fund	<u>18,563</u>	<u>8,393</u>	<u>100,336</u>	<u>127,292</u>
	<u>\$ 2,646,625</u>	<u>\$ 286,855</u>	<u>\$ 365,905</u>	<u>\$ 3,299,385</u>

Endowment net asset composition by purpose of fund at December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Mission projects	\$ -	\$ 200,085	\$ -	\$ 200,085
Board designated	1,839,314	-	-	1,839,314
Education and training	45,820	18,032	178,284	242,136
Translation	16,949	22,986	86,535	126,470
General fund	<u>5,379</u>	<u>2,643</u>	<u>99,232</u>	<u>107,254</u>
	<u>\$ 1,907,462</u>	<u>\$ 243,746</u>	<u>\$ 364,051</u>	<u>\$ 2,515,259</u>

Historically, the board designated endowment fund has consisted of a minimum of 15% of bequest contributions for the year. Beginning in 2016, the intention of the board is to contribute \$500,000 annually to the endowment. The Board has designated net assets equal to the market value of these funds to be held for investment purposes.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 3: ENDOWMENT FUNDS – continued

The change in the endowment funds is as follows for the year ended December 31,:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 2,515,259	\$ 1,883,881
Investment income	86,611	59,999
Net appreciation (depreciation)	398,119	167,840
Withdrawals	(185,803)	(80,515)
Deposits	509,679	502,244
Administrative fees	<u>(24,480)</u>	<u>(18,190)</u>
Ending balance	<u>\$ 3,299,385</u>	<u>\$ 2,515,259</u>

NOTE 4: NOTE RECEIVABLE

The Organization sold its Aurora, Illinois facility on May 5, 2016 for a gross sale price of \$600,000. The buyer paid \$150,000 at closing. A note receivable was established in the amount of \$450,000 for the remaining balance of the purchase price. The buyer pays monthly payments of principal and interest of \$2,416, which commenced on June 1, 2016, with an interest rate of 5%. The note had an original maturity date of June 1, 2017, with a balloon payment for the remaining principle due at that time. However, the buyer exercised their option to renew the note for an additional year. In February 2018, the note was amended to require the remain balance be paid in installment payments of \$80,000 to be paid on or before May 5, 2018 and \$30,000 be paid on each anniversary date, along with the regular monthly payments of \$2416 until the principal balance is paid in full. At December 31, 2017 and December 31, 2016 the balance of the note receivable was \$439,332 and \$446,167, respectively.

NOTE 5: OPERATING LEASES

In September of 2015, the Organization moved its corporate headquarters from Aurora, Illinois to Concordia, Missouri. In Concordia, the Organization leases a facility from Saint Paul Lutheran High School (SPLHS). The agreement calls for the Organization to pay all utilities and/or services based upon occupancy of the premises in the amount of \$833 through August 31, 2025, at which time rental payments of \$2,250 commence. As part of the lease, the Organization also entered into a capital improvements contract in which it agreed to make capital improvements of \$171,268, which the Organization made in 2015. Total leasehold improvements related to the Concordia, Missouri facility were \$179,870 for both years ended December 31, 2017 and 2016.

The Organization has an operating lease for its copier equipment that requires monthly payments of \$1,680 through July, 2020.

The Organization has an operating lease for its mail postage equipment that requires monthly payments of \$1,399 through September, 2018.

Equipment rental expense was \$36,948 and \$38,188 for the years ended December 31, 2017 and 2016, respectively.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 5: OPERATING LEASES – continued

Future minimum lease obligations under non-cancelable equipment leases as of December 31, 2017 are as follows:

2018	\$	43,347
2019		30,756
2020		22,356
2021		10,596
Thereafter		<u>38,852</u>
Total	\$	<u>145,907</u>

NOTE 6: PENSION PLAN

The Organization participates in the Concordia Retirement Plan for workers of the Lutheran Church – Missouri Synod (the Plan), a plan separate from the Organization. The Plan is a noncontributory defined benefit pension plan, covering substantially all workers of participating organizations, including the Missouri Synod, each of its controlled organizations, member congregations which have adopted the Plan, and affiliated agencies that have been admitted to the Plan. From January 1, 2015 to June 30, 2015, the rate of contributions of covered payroll for each eligible employee was 7.5%. From July 1, 2015 to December 31, 2017, the rate of contributions of covered payroll for each eligible employee was 8.7%. Total contributions to the Plan for the years ended December 31, 2017 and 2016, were \$133,151 and \$124,625, respectively.

The Organization also matches dollar for dollar up to 2% to a 403(b) plan, separate from the Organization, for eligible employees (all full-time employees and part-time employees that average at least 30 hours per week). Total contributions to the Plan for the years ended December 31, 2017 and 2016, were \$19,038 and \$17,909, respectively.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purposes at December 31,:

	<u>2017</u>	<u>2016</u>
Mission projects and programs	\$ 899,536	\$ 703,444
Education and training	26,435	18,032
Translation	29,322	22,986
General fund	<u>8,393</u>	<u>2,643</u>
Total Temporarily Restricted Net Assets	<u>\$ 963,686</u>	<u>\$ 747,105</u>