

LUTHERAN BIBLE TRANSLATORS, INC.
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

LUTHERAN BIBLE TRANSLATORS, INC.

DECEMBER 31, 2018 AND 2017

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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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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.

April 30, 2019
Kansas City, Missouri

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

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,748,712	\$ 3,555,425
Advances to field offices	24,565	12,391
Prepaid expenses	22,299	34,813
Total Current Assets	3,795,576	3,602,629
OTHER ASSETS		
Investments	3,342,426	3,299,385
Note receivable	349,912	439,332
Total Other Assets	3,692,338	3,738,717
PROPERTY AND EQUIPMENT, AT COST		
Leasehold improvements	179,870	179,870
Field equipment	564,759	426,312
Office equipment	60,409	54,106
	805,038	660,288
Accumulated depreciation	(479,014)	(391,371)
Net Property and Equipment	326,024	268,917
TOTAL ASSETS	\$ 7,813,938	\$ 7,610,263
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 17,549	\$ 122,284
Accrued expenses	28,776	42,335
Total Current Liabilities	46,325	164,619
NET ASSETS		
Undesignated	4,058,608	3,576,239
Board-designated	2,537,623	2,539,813
With donor restrictions	1,171,382	1,329,592
Total Net Assets	7,767,613	7,445,644
TOTAL LIABILITIES AND NET ASSETS	\$ 7,813,938	\$ 7,610,263

See Notes to Financial Statements

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

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE		
Contributions	\$ 3,203,468	\$ 3,478,756
Bequests	870,812	2,567,364
Investment income, net	(254,501)	333,106
Other income	8,430	4,897
Net assets released from restrictions	870,656	98,146
Total support and revenue	4,698,865	6,482,269
EXPENSES		
Program services:		
Field services	2,752,376	2,630,525
Program ministries	642,554	601,544
Total program services	3,394,930	3,232,069
Supporting services:		
Management and general	464,660	511,224
Fundraising	359,096	190,113
Total supporting services	823,756	701,337
Total Expenses	4,218,686	3,933,406
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	480,179	2,548,863
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	218,486	237,516
Grants	536,911	-
Investment income, net	(42,951)	77,211
Net assets released from restrictions	(870,656)	(98,146)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(158,210)	216,581
CHANGE IN NET ASSETS	321,969	2,765,444
NET ASSETS, Beginning of period	7,445,644	4,678,345
NET ASSETS, End of period	\$ 7,767,613	\$ 7,445,644

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			Total Expenses
	Field Services	Program Ministries	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 653,764	\$ 271,656	\$ 925,420	\$ 140,211	\$ 301,430	\$ 441,641	\$ 1,367,061
Retirement plan	76,675	28,638	105,313	29,321	-	29,321	134,634
Other employee benefits	383,829	98,476	482,305	68,255	-	68,255	550,560
Payroll taxes	65,796	20,987	86,783	22,588	-	22,588	109,371
Newsletter	-	29,450	29,450	-	3,306	3,306	32,756
Direct mailings	-	5,883	5,883	-	52,943	52,943	58,826
Professional fees	117,582	13,336	130,918	67,364	-	67,364	198,282
Supplies	25,580	11,926	37,506	17,292	-	17,292	54,798
Telecommunications	19,145	3,490	22,635	2,837	-	2,837	25,472
Postage and shipping	8,790	6,570	15,360	7,714	-	7,714	23,074
Occupancy	81,046	3,798	84,844	7,631	-	7,631	92,475
Equipment rental and maintenance	26,254	9,403	35,657	19,813	-	19,813	55,470
Printing and publication	5,838	8,493	14,331	4,173	-	4,173	18,504
Travel	331,399	79,272	410,671	54,055	-	54,055	464,726
Conferences, meetings, and workshops	9,162	29,577	38,739	3,177	-	3,177	41,916
Missionary/national support	50,033	3,727	53,760	2,804	-	2,804	56,564
Special project expenses	798,446	971	799,417	1,449	-	1,449	800,866
Other expenses	20,253	16,901	37,154	7,118	1,417	8,535	45,689
						-	
Total Expenses Before Depreciation	2,673,592	642,554	3,316,146	455,802	359,096	814,898	4,131,044
Depreciation	78,784	-	78,784	8,858	-	8,858	87,642
Total Expenses	\$ 2,752,376	\$ 642,554	\$ 3,394,930	\$ 464,660	\$ 359,096	\$ 823,756	\$ 4,218,686

See Notes to Financial Statements

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

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	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 Deprecation	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.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,**

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Change in net assets	\$ 321,969	\$ 2,765,444
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	87,642	65,296
Realized gain on investments	(32,356)	(29,580)
Unrealized loss (gain) on investments	445,279	(293,025)
Changes in:		
Contributions receivable	-	97,251
Advances to field offices	(12,174)	26,315
Other receivables	-	2,665
Prepaid expenses	12,514	(30,879)
Accounts payable	(104,735)	57,029
Accrued expenses	(13,559)	(24,714)
Net cash provided by operating activities	704,580	2,637,657
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	89,420	6,835
Purchases of investments, net	(455,963)	(461,521)
Purchases of property and equipment	(144,750)	(7,277)
Net cash used in investing activities	(511,293)	(461,963)
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	193,287	2,175,694
 CASH AND CASH EQUIVALENTS, Beginning of period	3,555,425	1,379,731
 CASH AND CASH EQUIVALENTS, End of period	\$ 3,748,712	\$ 3,555,425

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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 and Grants

Contributions and grants 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:

Net assets without donor restrictions – Net assets that are not subject to any donor-imposed stipulation. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions – Net assets that are subject to usage limitations based on donor-imposed or grantor restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be made in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

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 2018 or 2017.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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. There were no contributions receivable as of December 31, 2018 or 2017.

Revenue Recognition

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, 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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (*Topic 958*) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Lutheran Bible Translators, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017**

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

Subsequent Events

Subsequent events have been evaluated through April 30, 2019, which is the date the financial statements were available to be issued.

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, 2018 were as follows:

	<u>Total 2018</u>	<u>Quoted Prices In Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Observable Inputs</u>
Mutual funds	\$ 3,342,426	\$ 3,342,426	\$ -	\$ -
	<u>\$ 3,342,426</u>	<u>\$ 3,342,426</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

NOTE 2: FAIR MARKET VALUE OF INVESTMENTS - continued

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

	<u>Total 2018</u>	<u>Quoted Prices In Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Observable Inputs</u>
Mutual funds	\$ 3,299,385	\$ 3,299,385	\$ -	\$ -
	<u>\$ 3,299,385</u>	<u>\$ 3,299,385</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, 2018 and 2017 are considered to be Level 1 type assets.

The following summarizes the net investment income for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized gains	\$ (383,283)	\$ (61,996)	\$ (445,279)
Realized gains	28,011	4,345	32,356
Interest and dividends	122,288	14,700	136,988
Less: Investment related expenses	<u>(21,517)</u>	<u>-</u>	<u>(21,517)</u>
	<u>\$ (254,501)</u>	<u>\$ (42,951)</u>	<u>\$ (297,452)</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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>

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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 donor 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 donor restricted net assets is classified as donor 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, 2018 AND DECEMBER 31, 2017

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, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Mission projects	\$ -	\$ 234,796	\$ 234,796
Board designated	2,537,623	-	2,537,623
Education and training	71,362	223,829	295,191
Translation	27,178	121,240	148,418
General fund	<u>12,468</u>	<u>113,930</u>	<u>129,398</u>
	<u>\$ 2,648,431</u>	<u>\$ 693,795</u>	<u>\$ 3,342,426</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Mission projects	\$ -	\$ 222,705	\$ 222,705
Board designated	2,547,043	-	2,547,043
Education and training	63,837	205,468	269,306
Translation	24,413	115,857	140,269
General fund	<u>11,332</u>	<u>108,730</u>	<u>120,062</u>
	<u>\$ 2,646,625</u>	<u>\$ 652,760</u>	<u>\$ 3,299,385</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, 2018 AND DECEMBER 31, 2017

NOTE 3: ENDOWMENT FUNDS – continued

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

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 3,299,385	\$ 2,515,259
Investment income	109,456	86,611
Net appreciation (depreciation)	(429,268)	398,119
Withdrawals	(261,037)	(185,803)
Deposits	645,407	509,679
Administrative fees	<u>(21,517)</u>	<u>(24,480)</u>
Ending balance	<u>\$ 3,342,426</u>	<u>\$ 3,299,385</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 remaining 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 \$2,416 until the principal balance is paid in full. At December 31, 2018 and December 31, 2017 the balance of the note receivable was \$349,912 and \$439,332, 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, 2018 and 2017.

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 \$192 through April 2023.

Equipment rental expense was \$36,681 and \$36,948 for the years ended December 31, 2018 and 2017, respectively.

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NOTE 5: OPERATING LEASES – continued

Future minimum lease obligations under non-cancelable equipment leases as of December 31, 2018 are as follows:

2019	\$	33,060
2020		24,660
2021		12,900
2022		12,900
2023		12,324
Thereafter		<u>17,660</u>
Total	\$	<u>113,504</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, 2018, 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, 2018 and 2017, were \$113,035 and \$133,151, 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, 2018 and 2017, were \$21,599 and \$19,038, respectively.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes at December 31,

	<u>2018</u>	<u>2017</u>
Mission projects and programs	\$ 712,383	\$ 899,537
Education and training	223,829	205,469
Translation	121,240	115,857
General fund	<u>113,930</u>	<u>108,729</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,171,382</u>	<u>\$ 1,329,592</u>

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NOTE 7: LIQUIDITY AND AVAILABILITY

The following table shows the financial assets that could be made readily available over the next twelve months at December 31,

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,748,712	\$ 3,555,425
Advances to field offices	24,565	12,391
Prepaid expenses	22,299	34,813
Investments without donor restrictions	2,648,631	2,646,625
Notes receivable	<u>28,992</u>	<u>89,420</u>
Total	<u>\$ 6,473,199</u>	<u>\$ 6,338,674</u>