

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**INDEPENDENT AUDITORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

LUTHERAN BIBLE TRANSLATORS, INC.

DECEMBER 31, 2019 AND 2018

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# EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lutheran Bible Translators, Inc.  
Concordia, Missouri

We have audited the accompanying financial statements of Lutheran Bible Translators, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses 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.

### **Auditors' 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 audits 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 Lutheran Bible Translators, Inc. as of December 31, 2019 and 2018, 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.

## Correction of Errors

We draw attention to Note 10 of the financial statements, which describes prior period adjustments, restatements and correction of errors. As described in Note 10, the financial statements for the year ended December 31, 2018 have been corrected for certain errors, including adjustments to beginning net assets as of January 1, 2018, discovered and corrected by management during the year ended December 31, 2019. Our opinion is not modified with respect to that matter.

*Emerich + Company, P.C.*

Kansas City, Missouri  
May 1, 2020

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 and 2018**

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u> <u>(as restated)</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,682,843	\$ 3,748,712
Contributions receivable	70,736	864,826
Advances to field offices	40,309	24,565
Prepaid expenses	37,309	22,299
Note receivable, current portion	45,881	42,646
<b>Total Current Assets</b>	<u>4,877,078</u>	<u>4,703,048</u>
<b>OTHER ASSETS</b>		
Investments	6,327,764	3,342,426
Beneficial interest in endowments held by others	628,892	624,420
Beneficial interest in charitable trusts held by others	504,614	537,925
Cash surrender value donor life insurance	168,151	165,324
Note receivable, net of current portion	240,795	307,266
<b>Total Other Assets</b>	<u>7,870,216</u>	<u>4,977,361</u>
<b>PROPERTY AND EQUIPMENT, AT COST</b>		
Leasehold improvements	179,870	179,870
Field equipment	537,621	564,759
Office equipment	57,165	60,409
	<u>774,656</u>	<u>805,038</u>
Accumulated depreciation	(507,879)	(479,014)
<b>Net Property and Equipment</b>	<u>266,777</u>	<u>326,024</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,014,071</u>	<u>\$ 10,006,433</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 106,540	\$ 17,549
Accrued expenses	70,459	28,776
<b>Total Current Liabilities</b>	<u>176,999</u>	<u>46,325</u>
<b>NET ASSETS</b>		
Undesignated	5,382,460	4,651,285
Board designated	3,657,964	2,772,419
Total net assets without donor restrictions	<u>9,040,424</u>	<u>7,423,704</u>
With donor restrictions	3,796,648	2,536,404
<b>Total Net Assets</b>	<u>12,837,072</u>	<u>9,960,108</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 13,014,071</u>	<u>\$ 10,006,433</u>

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b> <b>(as restated)</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 3,463,945	\$ 3,291,987
Bequests	847,953	367,207
Investment income (loss), net	516,865	(254,501)
Other income	13,355	8,430
Net assets released from restrictions	1,718,121	1,218,510
Total support and revenue	6,560,239	4,631,633
<b>EXPENSES</b>		
Program services:		
Field services	3,064,160	2,617,336
Program ministries	711,154	642,554
Total program services	3,775,314	3,259,890
Supporting services:		
Management and general	589,948	464,660
Fundraising	373,462	359,096
Total supporting services	963,410	823,756
Total Expenses	4,738,724	4,083,646
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,821,515	547,987
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions	2,133,945	79,424
Grants	505,555	536,911
Bequests	70,736	864,826
Investment income (loss), net	110,493	(42,951)
Change in value of charitable trusts	(47,159)	62,882
Net assets released from restrictions	(1,718,121)	(1,218,510)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	1,055,449	282,582
<b>CHANGE IN NET ASSETS</b>	2,876,964	830,569
<b>NET ASSETS, Beginning of year, as previously reported</b>	9,960,108	7,445,644
<b>Prior period adjustment</b>	-	1,683,895
<b>NET ASSETS, Beginning of year, as restated</b>	9,960,108	9,129,539
<b>NET ASSETS, End of year</b>	\$ 12,837,072	\$ 9,960,108

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services			Total Expenses
	Field Services	Program Ministries	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 706,560	\$ 299,421	\$ 1,005,981	\$ 174,525	\$ 311,924	\$ 486,449	\$ 1,492,430
Retirement plan	92,862	34,648	127,510	37,518	-	37,518	165,028
Other employee benefits	464,005	120,684	584,689	95,854	-	95,854	680,543
Payroll taxes	65,699	22,429	88,128	24,984	-	24,984	113,112
Newsletter	-	43,380	43,380	27	4,994	5,021	48,401
Direct mailings	-	5,469	5,469	-	49,218	49,218	54,687
Professional fees	152,202	19,329	171,531	98,327	-	98,327	269,858
Supplies	28,769	10,165	38,934	17,471	-	17,471	56,405
Telecommunications	22,499	3,775	26,274	3,341	-	3,341	29,615
Postage and shipping	7,490	7,386	14,876	7,419	-	7,419	22,295
Occupancy	138,671	4,080	142,751	8,052	-	8,052	150,803
Equipment rental and maintenance	20,619	5,845	26,464	15,818	-	15,818	42,282
Printing and publication	7,190	9,792	16,982	11,859	-	11,859	28,841
Travel	422,768	78,112	500,880	77,517	-	77,517	578,397
Conferences, meetings, and workshops	26,437	20,260	46,697	3,250	-	3,250	49,947
Missionary/national support	65,030	5,765	70,795	2,418	-	2,418	73,213
Special project expenses	769,739	-	769,739	-	-	-	769,739
Other expenses	9,523	20,614	30,137	8,583	7,326	15,909	46,046
<b>Total Expenses Before Depreciation</b>	<b>3,000,063</b>	<b>711,154</b>	<b>3,711,217</b>	<b>586,963</b>	<b>373,462</b>	<b>960,425</b>	<b>4,671,642</b>
Depreciation	64,097	-	64,097	2,985	-	2,985	67,082
<b>TOTAL EXPENSES</b>	<b>\$ 3,064,160</b>	<b>\$ 711,154</b>	<b>\$ 3,775,314</b>	<b>\$ 589,948</b>	<b>\$ 373,462</b>	<b>\$ 963,410</b>	<b>\$ 4,738,724</b>

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 (as restated)**

	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	663,406	971	664,377	1,449	-	1,449	665,826
Other expenses	20,253	16,901	37,154	7,118	1,417	8,535	45,689
<b>Total Expenses Before Depreciation</b>	<b>2,538,552</b>	<b>642,554</b>	<b>3,181,106</b>	<b>455,802</b>	<b>359,096</b>	<b>814,898</b>	<b>3,996,004</b>
Depreciation	78,784	-	78,784	8,858	-	8,858	87,642
<b>TOTAL EXPENSES</b>	<b>\$ 2,617,336</b>	<b>\$ 642,554</b>	<b>\$ 3,259,890</b>	<b>\$ 464,660</b>	<b>\$ 359,096</b>	<b>\$ 823,756</b>	<b>\$ 4,083,646</b>

See Notes to Financial Statements



**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>2019</b></u>	<u><b>2018</b></u> <b>(as restated)</b>
Change in net assets	\$ 2,876,964	\$ 830,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,082	87,642
Realized gain on investments	(18,875)	(32,356)
Unrealized loss (gain) on investments	(449,730)	445,279
Loss on disposal of fixed assets	5,709	-
Changes in:		
Contributions receivable	794,090	(361,221)
Advances to field offices	(15,744)	(12,174)
Prepaid expenses	(37,309)	12,514
Beneficial interest in endowments held by others	(4,472)	(78,278)
Beneficial interest in charitable trusts held by others	33,311	(62,882)
Cash surrender value donor life insurance	(2,827)	(6,219)
Accounts payable	88,991	(104,735)
Accrued expenses	41,683	(13,559)
	<u>3,378,873</u>	<u>704,580</u>
<b>Net cash provided by operating activities</b>	<u><b>3,378,873</b></u>	<u><b>704,580</b></u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on note receivable	85,535	89,420
Purchases of investments, net	(2,516,733)	(455,963)
Purchases of property and equipment	(13,544)	(144,750)
	<u>(2,444,742)</u>	<u>(511,293)</u>
<b>Net cash used in investing activities</b>	<u><b>(2,444,742)</b></u>	<u><b>(511,293)</b></u>
 <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	 934,131	 193,287
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>3,748,712</u>	<u>3,555,425</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><u>\$ 4,682,843</u></u>	<u><u>\$ 3,748,712</u></u>

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018 (as restated)**

**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 worldwide 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 in accordance with generally accepted accounting principles (GAAP) 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 2019 or 2018.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018 (as restated)**

**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. Direct expenses are charged to the respective program or supporting activity. Expenses that relate to more than one program or supporting service require allocation on a reasonable basis that is consistently applied and have been allocated based on management's estimate of time and effort. These include payroll and related expenses, newsletter, professional fees, occupancy and office related expenses, travel and conference expenses, and missionary support.

**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.

**Revenue Recognition and Contributions Receivable**

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions in which they depend have been met. Contributions receivable are discounted to their net present value at the time the contribution is recorded. An allowance for uncollectible receivables is recorded based on management's estimate. There is no allowance as of December 31, 2019 and 2018.

**Beneficial Interest in Funds Held by Others**

The Organization receives contributions in the form of irrevocable split-interest agreements that include charitable gift annuities, charitable remainder unitrusts, pooled income trusts, and donor directed endowments. A third party foundation appointed by the donors serves as the trustee for the agreements and the Organization records its proportionate share as a beneficial interest at fair value.

**Cash Surrender Value Donor Life Insurance**

The Organization is owner and beneficiary of donor life insurance policies. The cash surrender value of the policies at December 31, 2019 and 2018 is \$168,151 and \$165,324 (restated), respectively.

**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.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018 (as restated)**

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

**Change in Accounting Principle**

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606. The December 31, 2018 financial statements have been retrospectively restated for adoption of this standard and for correction of errors (Note 10).

The Organization has also adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

**Subsequent Events**

Subsequent events have been evaluated through May 1, 2020, which is the date the financial statements were available to be issued.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 2: INVESTMENTS**

Investments at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and bank sweep	\$ 807,426	\$ 12,800
Fixed income	1,341,876	-
Bond mutual funds	1,430,328	1,272,457
Equity mutual funds	<u>2,748,154</u>	<u>2,057,169</u>
	<u>\$ 6,327,764</u>	<u>\$ 3,342,426</u>

The following summarizes the net investment income for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized gains	\$ 372,840	\$ 76,890	\$ 449,730
Realized gains	14,957	3,918	18,875
Interest and dividends	142,154	29,685	171,839
Less: Investment related expenses	<u>(13,086)</u>	<u>-</u>	<u>(13,086)</u>
	<u>\$ 516,865</u>	<u>\$ 110,493</u>	<u>\$ 627,358</u>

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018 (as restated)**

**NOTE 2: INVESTMENTS - continued**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized losses	\$ (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>

**NOTE 3: FAIR VALUE MEASUREMENTS**

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.

Level 1 assets measured at fair value on a recurring basis as of December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Fixed income	\$ 1,341,876	\$ -
Bond mutual funds	\$ 1,430,328	\$ 1,272,457
Equity mutual funds	\$ 2,748,154	\$ 2,057,169

Investments

Investments consist of fixed income instruments 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.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018 (as restated)**

**NOTE 3: FAIR VALUE MEASUREMENTS - continued**

Level 2 assets measured at fair value on a recurring basis as of December 31 were as follows:

	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Cash surrender value donor life insurance	\$ 168,151	\$ 165,324

Cash surrender value donor life insurance

Life insurance policies are valued based on the cash surrender value. The significant input is the underlying investment which is valued based on quoted market prices.

Level 3 assets measured at fair value on a recurring basis as of December 31 were as follows:

	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Beneficial interest in endowments held by others	\$ 628,892	\$ 624,420
Beneficial interest in charitable trusts held by others	\$ 504,614	\$ 537,925

Beneficial interest in funds held by others

Beneficial interest in funds held by others are classified as Level 3 as there is no market value for the Organization's interest in the asset. A foundation appointed by the donors is trustee of the funds. The fair value of donor directed endowment funds is estimated to be the fair value of the assets contributed by the donor. The fair value of the charitable trusts is estimated to be the Organization's proportionate share of the present value of the trusts as provided by the trustee as calculated on the independent actuarial report.

The change in Level 3 assets for the years ended December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Balance, beginning of year	\$ 1,162,345	\$ 1,021,185
Contributions	18,320	78,278
Change in value	<u>(47,159)</u>	<u>62,882</u>
Balance, end of year	<u>\$ 1,133,506</u>	<u>\$ 1,162,345</u>

**NOTE 4: 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

The associated gains and income on donor restricted endowments are 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:

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**NOTE 4: ENDOWMENT FUNDS - continued**

- 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.

*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 real growth through new gifts and investment return.

Endowment net asset composition by purpose of fund at December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated	\$ 3,657,964	\$ -	\$ 3,657,964
Education and training	21,550	257,306	278,856
Translation	31,021	139,317	170,338
General fund	<u>74,434</u>	<u>131,755</u>	<u>206,189</u>
	<u>\$ 3,784,969</u>	<u>\$ 528,378</u>	<u>\$ 4,313,347</u>

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**NOTE 4: ENDOWMENT FUNDS - continued**

Endowment net asset composition by purpose of fund at December 31, 2018 (restated) is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated	\$ 2,772,419	\$ -	\$ 2,772,419
Education and training	19,193	223,828	243,021
Translation	27,178	121,239	148,417
General fund	<u>64,638</u>	<u>113,931</u>	<u>178,569</u>
	<u>\$ 2,883,428</u>	<u>\$ 458,998</u>	<u>\$ 3,342,426</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.

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

	<u>2019</u>	<u>2018 (restated)</u>
Beginning balance	\$ 3,342,426	\$ 3,299,385
Investment income	143,019	109,456
Net appreciation (depreciation)	474,684	(429,268)
Withdrawals	(133,696)	(261,037)
Deposits	500,000	645,407
Administrative fees	<u>(13,086)</u>	<u>(21,517)</u>
Ending balance	<u>\$ 4,313,347</u>	<u>\$ 3,342,426</u>

**NOTE 5: 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 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, 2019 and 2018, the balance of the note receivable was \$286,676 and \$349,912, respectively.



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**NOTE 6: 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 at December 31, 2019 and 2018.

The Organization has an operating lease for its copier equipment that requires monthly payments of \$1,680 through February 2021.

The Organization has an operating lease for its mail postage equipment that requires monthly payments of \$192 through April 2023.

Equipment rental expense was \$33,060, and \$36,681 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease obligations under non-cancelable equipment leases as of December 31, 2019 are as follows:

2020	\$	24,660
2021		16,260
2022		12,900
2023		11,364
2024		10,596
Thereafter		<u>7,064</u>
Total	<u>\$</u>	<u>82,844</u>

**NOTE 7: 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. For the years ended December 31, 2019 and 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, 2019 and 2018, were \$136,118 and \$113,035, 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, 2019 and 2018, were \$28,809 and \$21,599, respectively.

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**NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Mission projects and programs	\$ 2,064,028	\$ 50,235
Education and training	257,306	223,828
Translation	139,317	121,239
Time restricted	1,204,242	2,027,171
General fund	<u>131,755</u>	<u>113,931</u>
Total net assets with donor restrictions	<u>\$ 3,796,648</u>	<u>\$ 2,536,404</u>

**NOTE 9: AVAILABILITY AND LIQUIDITY**

The Organization strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through a board resolution.

Financial assets at year end:	<u>2019</u>	<u>2018</u> <u>(restated)</u>
Cash and cash equivalents	\$ 4,682,843	\$ 3,748,712
Contributions receivable	70,736	864,826
Investments	<u>6,327,764</u>	<u>3,342,426</u>
Total financial assets	11,081,343	7,955,964
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,796,648	2,536,404
Board designated net assets	<u>3,657,964</u>	<u>2,772,419</u>
	<u>7,454,612</u>	<u>5,308,823</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,626,731</u>	<u>\$ 2,647,141</u>

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**NOTE 10: CORRECTION OF ERRORS, RESTATEMENT OF FINANCIAL STATEMENTS AND PRIOR PERIOD ADJUSTMENTS**

During the year ended December 31, 2019, in conjunction with the change in accounting principle (Note 1) and adoption of Topics 606 and 605, the Organization performed an internal review of its contributions and cash receipts. The Organization discovered that revenues for prior periods had been understated for contributions that were recognized at the time cash was received rather than at the time an unconditional promise to give was made. Accordingly, the Organization has restated its financial statements for the year ended December 31, 2018. The beginning net assets as of January 1, 2018 were also adjusted for contributions that should have been recognized in prior periods. Net assets without donor restrictions and net assets with donor restrictions were increased by \$924,230 and \$759,665, respectively, as of January 1, 2018.

The effect of the restatement on changes in net assets and financial position as of and for the year ended December 31, 2018 is as follows:

	As previously reported	Restated
Net assets without donor restrictions:		
Contributions	\$ 3,203,468	\$ 3,291,987
Bequests	\$ 870,812	\$ 367,207
Total support and revenue	\$ 4,698,865	\$ 4,631,633
Field services	\$ 2,752,376	\$ 2,617,336
Total program expenses	\$ 3,394,930	\$ 3,259,890
Total expenses	\$ 4,218,686	\$ 4,083,646
Change in net assets without donor restrictions	\$ 480,179	\$ 547,987
Net assets with donor restrictions:		
Contributions	\$ 218,486	\$ 79,424
Bequests	-	\$ 864,826
Change in value of charitable trusts	-	\$ 62,882
Change in net assets with donor restrictions	\$ (158,210)	\$ 282,582
Change in net assets	\$ 321,969	\$ 830,569
Contributions receivable	-	\$ 864,826
Note receivable, current portion	-	\$ 42,646
Total current assets	\$ 3,795,576	\$ 4,703,048
Beneficial interest in endowments held by others	-	\$ 624,420
Beneficial interest in charitable trusts held by others	-	\$ 537,925
Cash surrender value donor life insurance	-	\$ 165,324
Note receivable, net of current portion	\$ 349,912	\$ 307,266
Total other assets	\$ 3,692,338	\$ 4,977,361
Total assets	\$ 7,813,938	\$ 10,006,433
Net assets, undesignated	\$ 4,058,608	\$ 4,651,285
Net assets, board designated	\$ 2,537,623	\$ 2,772,419
Net assets, with donor restrictions	\$ 1,171,382	\$ 2,536,404
Total net assets	\$ 7,767,613	\$ 9,960,108
Total liabilities and net assets	\$ 7,813,938	\$ 10,006,433

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**NOTE 11: UNCERTANTIES**

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. The COVID-19 outbreak in the United States and the stay home orders and work restrictions have impacted stock markets, resulting in declines in the Organization's investment balances by approximately 13%. The extent to which these events will affect the future financial position and the related changes in net assets and cash flows of the Organization is unknown.

In April 2020, the Organization qualified for a loan program under the Coronavirus Aid, Relief and Economic Security (CARES) Act and entered into a debt agreement for \$200,000. The proceeds will be utilized to fund payroll and other operating expenses. The loan bears interest at 1% and requires monthly payments of \$11,199 beginning November 15, 2020. The balance of the loan is due April 15, 2022. Portions of the loan may be forgiven, provided certain requirements of the U.S. Small Business Administration Paycheck Protection Program, including provisions of the CARES Act, are met. Future minimum principle payments as of the date of report issuance are:

For the year ending December 31,	
2020	\$ 21,183
2021	133,890
2022	<u>44,927</u>
Total	<u>\$ 200,000</u>