



























LUTHERAN BIBLE TRANSLATORS, INC.  
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**NOTE 3 – Income Taxes**

The Organization had previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Organization. Accordingly, the accompanying financial statements contain no provision for income taxes.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to June 30, 2019. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no material issues would arise.

**NOTE 4 – Concentration of Credit Risk**

Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, these deposits may exceed the insurance amounts provided by these institutions. The Organization has not experienced any losses in such accounts.

**NOTE 5 – Pledges receivable**

Pledges receivable consisted of the following at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 418,130	\$ 340,930
Due in one to five years	<u>557,240</u>	<u>575,370</u>
	975,370	916,300
Less:		
Allowance for uncollectible receivables	(41,049)	(45,815)
Discount at 3%	<u>(23,303)</u>	<u>(23,907)</u>
	<u>\$ 911,018</u>	<u>\$ 846,578</u>

**NOTE 6 – Investments**

Investments at December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and bank sweep	\$ 89,698	\$ 548,466
Money market funds	115,000	-
Equities	-	4,051
Fixed income	9,924	-
Bond mutual funds	989,670	970,677
Equity mutual funds	214,153	452,534
Exchange traded funds - bonds	<u>7,001,906</u>	<u>7,181,954</u>
	<u>\$ 8,420,351</u>	<u>\$ 9,157,682</u>

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**NOTE 6 – Investments** (continued)

The following summarizes the net investment income (loss) for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized loss	\$(1,824,425)	\$ -	\$(1,824,425)
Realized gains	438,244	-	438,244
Interest and dividends	927,254	-	927,254
Investment related expenses	<u>(40,737)</u>	<u>-</u>	<u>(40,737)</u>
	<u>\$ (499,664)</u>	<u>\$ -</u>	<u>\$ (499,664)</u>

The following summarizes the net investment income for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized loss	\$ (206,833)	\$ -	\$ (206,833)
Realized gains	696,495	-	696,495
Interest and dividends	183,251	-	183,251
Investment related expenses	<u>(39,884)</u>	<u>-</u>	<u>(39,884)</u>
	<u>\$ 633,029</u>	<u>\$ -</u>	<u>\$ 633,029</u>

**NOTE 7 – Fair Value Measurements**

The assets and liabilities are accounted for under the fair value hierarchy on a recurring basis using the market approach as follows for the year ended December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
Equities	\$ -	\$ -	\$ -	\$ -
Bond mutual funds	989,670	-	-	989,670
Fixed income mutual funds	9,924	-	-	9,924
Equity mutual funds	214,153	-	-	214,153
Exchange traded funds - bonds	<u>7,001,906</u>	<u>-</u>	<u>-</u>	<u>7,001,906</u>
Investments reflected at fair market value	<u>8,215,653</u>	<u>-</u>	<u>-</u>	<u>8,215,653</u>
Cash and cash equivalents	<u>204,698</u>	<u>-</u>	<u>-</u>	<u>204,698</u>
Total investments	<u>8,420,351</u>	<u>-</u>	<u>-</u>	<u>8,420,351</u>

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**NOTE 7 – Fair Value Measurements** (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Beneficial interest in endowments held by others	<u>-</u>	<u>-</u>	<u>749,673</u>	<u>749,673</u>
Beneficial interest in charitable trusts held by others	<u>-</u>	<u>-</u>	<u>508,298</u>	<u>508,298</u>
Cash surrender value of life insurance policies	<u>-</u>	<u>575,632</u>	<u>-</u>	<u>575,632</u>
	<u>\$ 8,420,351</u>	<u>\$ 575,632</u>	<u>\$ 1,257,971</u>	<u>\$10,253,954</u>

The change in Level 3 assets for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,305,562	\$ 1,104,792
Contributions	-	139,607
Change in value	<u>(47,591)</u>	<u>61,163</u>
Balance, end of year	<u>\$ 1,257,971</u>	<u>\$ 1,305,562</u>

**NOTE 8 – 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:

- 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

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**NOTE 8 – Endowment Funds** (continued)

*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 while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, after fees and expenses, to provide a pretax 10-year average annual rate of return of 6% or a net return of 3% above inflation, whichever is greater. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

The Organization has a policy to spend, without touching principle, the lesser of the sum of the unrestricted revenue received and the prior fiscal year-end restricted cash balance, or 4% of the value of the board restricted funds at the previous December 31 year-end. 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, 2022 is as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Board designated	\$ 5,589,081	\$ -	\$ 5,589,081
Education and training	-	96,286	96,286
Translation	-	102,019	102,019
General fund	<u>-</u>	<u>104,526</u>	<u>104,526</u>
	<u>\$ 5,589,081</u>	<u>\$ 302,831</u>	<u>\$ 5,891,912</u>

Endowment net asset composition by purpose of fund at December 31, 2021 is as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Board designated	\$ 5,818,507	\$ -	\$ 5,818,507
Education and training	-	96,286	96,286
Translation	-	102,019	102,019
General fund	<u>-</u>	<u>104,526</u>	<u>104,526</u>
	<u>\$ 5,818,507</u>	<u>\$ 302,831</u>	<u>\$ 6,121,338</u>

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**NOTE 8 – Endowment Funds** (continued)

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>2022</u>	<u>2021</u>
Beginning balance	\$ 6,121,338	\$ 5,215,278
Investment income	847,122	124,593
Net appreciation	(1,535,811)	529,962
Withdrawals	-	(208,611)
Deposits	500,000	500,000
Administrative fees	<u>(40,737)</u>	<u>(39,884)</u>
Ending balance	<u>\$ 5,891,912</u>	<u>\$ 6,121,338</u>

**NOTE 9 – Property and Equipment**

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 179,870	\$ 179,870
Field equipment	440,049	497,675
Office equipment	<u>55,927</u>	<u>58,858</u>
	675,846	736,403
Accumulated depreciation	<u>(506,629)</u>	<u>(557,203)</u>
	<u>\$ 169,217</u>	<u>\$ 179,200</u>

Depreciation expenses was \$56,538 and \$41,819 for the years ended December 31, 2022 and 2021.

**NOTE 10 – Net assets with Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
Mission projects and programs	\$ 990,000	\$ 990,000
Education and training	96,286	96,286
Translation	132,019	132,019
Time restricted	2,670,150	2,855,365
General fund	<u>104,526</u>	<u>104,526</u>
	<u>\$ 3,992,981</u>	<u>\$ 4,178,196</u>

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**NOTE 11 - Liquidity and Funds Available**

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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,788,330	\$ 3,626,869
Grants receivable	1,681,882	529,500
Pledges receivable	911,018	846,578
Investments	8,420,351	9,157,682
Beneficial interest in endowments held by others	749,673	749,673
Beneficial interest in charitable trusts held by others	508,298	555,889
Cash surrender value donor life insurance	<u>575,632</u>	<u>173,725</u>
	<u>\$ 15,635,184</u>	<u>\$ 15,639,916</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions included in financial assets	3,992,981	4,178,196
Board designated net assets	<u>5,233,328</u>	<u>4,733,328</u>
	<u>9,226,309</u>	<u>8,911,524</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,408,875</u>	<u>\$ 6,728,392</u>

**NOTE 12 - Leases**

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU asset represents the Organization's right to use the underlying asset for the lease term, and the lease liability represents the Organization's obligation to make lease payments arising from the lease. The ROU asset and lease liability, all of which arise from an operating lease, were calculated based on the present value of the future minimum lease payments over the lease term. Because the Organization does not have access to the rate implicit in the lease, the Organization's incremental borrowing rate is utilized as the discount rate. The weighted average discount rate associated with operating leases as of December 31, 2022 was 1.365%.

The Organization leases a facility from Saint Paul Lutheran High School. The agreement calls for the Organization to pay all utilities and/or services based upon occupancy of the premises in the amount of \$833 monthly until August 31, 2025, for the ten-year term, at which time rental payments of \$2,250 commence if they continue to lease the facility. For the year ended December 31, 2022, total operating lease cost was \$75,986. As of December 31, 2022, the weighted average remaining lease term for the Organization's operating lease was 7.67 years.

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**NOTE 12 – Leases** (continued)

Future maturities of the lease liability are as follows:

<u>For the Year Ending December 31,</u>		
2023		\$ 9,996
2024		9,996
2025		15,664
2026		27,000
2027		27,000
Thereafter		<u>72,000</u>
Total lease payments		161,656
Less present value discount		<u>(9,729)</u>
Total lease obligation		<u>\$ 151,927</u>

**NOTE 13 – 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 organization, 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, 2022 and 2021, 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, 2022 and 2021 were \$171,359 and \$174,239, 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, 2022 and 2021, were \$35,187 and \$27,600, respectively.

**NOTE 14 – CARES Act PPP Refundable Advance**

In March 2020, the World Health Organization declared the coronavirus outbreak a global pandemic, which soon afterward was declared a national emergency in the United States. In response to this event, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), a nationwide financial stimulus package was signed into federal law. Under the CARES Act, loans administered by the Small Business Administration (“SBA”) were available to small businesses, including not for profit organizations, that can be forgiven if employee retention criteria are met, and the funds are used for eligible expenses during the allowable time-period, which is defined as 24 weeks following the loan disbursement date.

During the year ended December 31, 2021, the Organization received \$690,080 in loan proceeds under the CARES Act. Loan forgiveness was granted in July 2021 from the SBA and it was recognized as income in the year ended December 31, 2021.

**NOTE 15 – Related Parties**

Members of the board of directors donated \$114,840 and \$116,435 during the years then ended December 31, 2022 and 2021, respectively.