

LUTHERAN BIBLE TRANSLATORS, INC.
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

LUTHERAN BIBLE TRANSLATORS, INC.

DECEMBER 31, 2020 AND 2019

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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 statement of financial position as of December 31, 2020 and 2019, 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 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

We draw attention to Note 12 of the financial statements, which describes a prior period adjustment. As described in Note 12, the financial statements for the year ended December 31, 2019 have been corrected for certain errors, including an adjustment to beginning net assets as of January 1, 2019, discovered and corrected by management during the year ended December 31, 2020. 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, 2020 and 2019

ASSETS

	2020	2019 (as restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,452,926	\$ 4,682,843
Contributions receivable	586,806	470,736
Pledges receivable, net	297,331	-
Advances to field offices	19,376	40,309
Other receivables	17,515	-
Prepaid expenses	43,045	37,309
Note receivable, current portion	49,282	45,881
Total Current Assets	4,466,281	5,277,078
OTHER ASSETS		
Investments	7,254,771	6,327,764
Beneficial interest in endowments held by others	610,066	628,892
Beneficial interest in charitable trusts held by others	494,726	504,614
Cash surrender value donor life insurance	165,857	168,151
Pledges receivable, net	593,073	-
Note receivable, net of current portion	170,923	240,795
Total Other Assets	9,289,416	7,870,216
PROPERTY AND EQUIPMENT, AT COST		
Leasehold improvements	179,870	179,870
Field equipment	540,518	537,621
Office equipment	58,394	57,165
	778,782	774,656
Accumulated depreciation	(567,452)	(507,879)
Net Property and Equipment	211,330	266,777
TOTAL ASSETS	\$ 13,967,027	\$ 13,414,071

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 52,460	\$ 106,540
Accrued expenses	63,995	70,760
Total Current Liabilities	116,455	177,300
NET ASSETS		
Undesignated	4,901,316	5,382,159
Board designated	4,537,091	3,657,964
Total net assets without donor restrictions	9,438,407	9,040,123
With donor restrictions	4,412,165	4,196,648
Total Net Assets	13,850,572	13,236,771
TOTAL LIABILITIES AND NET ASSETS	\$ 13,967,027	\$ 13,414,071

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019 (as restated)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE		
Contributions	\$ 3,983,713	\$ 3,463,945
Bequests	429,897	847,953
Investment income, net	590,355	516,865
Other income	9,150	13,355
Payroll Protection Plan income	200,000	-
Net assets released from restrictions	1,463,092	1,718,121
Total support and revenue	6,676,207	6,560,239
EXPENSES		
Program services:		
Field services	4,550,781	3,064,160
Program ministries	688,676	711,154
Total program services	5,239,457	3,775,314
Supporting services:		
Management and general	684,740	589,948
Fundraising	353,726	373,462
Total supporting services	1,038,466	963,410
Total Expenses	6,277,923	4,738,724
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	398,284	1,821,515
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	982,641	2,089,993
Grants	618,575	505,555
Bequests	61,806	70,736
Investment income, net	44,301	110,493
Change in value of charitable trusts	(28,714)	(47,159)
Net assets released from restrictions	(1,463,092)	(1,718,121)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	215,517	1,011,497
CHANGE IN NET ASSETS	613,801	2,833,012
NET ASSETS, Beginning of year, as previously stated	13,236,771	9,960,108
Prior period adjustment	-	443,651
NET ASSETS, Beginning of year, as restated	13,236,771	10,403,759
NET ASSETS, End of year	\$ 13,850,572	\$ 13,236,771

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Services			Total Expenses
	Field Services	Program Ministries	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 806,359	\$ 323,373	\$ 1,129,732	\$ 241,698	\$ 302,614	\$ 544,312	\$ 1,674,044
Retirement plan	100,692	35,715	136,407	40,154	-	40,154	176,561
Other employee benefits	485,255	162,213	647,468	129,231	-	129,231	776,699
Payroll taxes	77,931	24,481	102,412	30,040	-	30,040	132,452
Newsletter	-	44,008	44,008	-	4,840	4,840	48,848
Direct mailings	-	5,085	5,085	-	45,769	45,769	50,854
Professional fees	125,168	16,741	141,909	85,059	-	85,059	226,968
Supplies	21,037	4,589	25,626	7,179	-	7,179	32,805
Telecommunications	20,643	3,287	23,930	2,631	-	2,631	26,561
Postage and shipping	9,562	4,854	14,416	9,339	-	9,339	23,755
Occupancy	104,230	3,382	107,612	8,569	-	8,569	116,181
Equipment rental and maintenance	15,207	4,887	20,094	20,527	-	20,527	40,621
Printing and publication	7,603	4,132	11,735	10,438	-	10,438	22,173
Travel	249,358	33,054	282,412	30,237	-	30,237	312,649
Conferences, meetings, and workshops	3,977	5,630	9,607	5,228	-	5,228	14,835
Missionary/national support	60,430	3,955	64,385	1,511	503	2,014	66,399
Special project expenses	2,380,960	-	2,380,960	-	-	-	2,380,960
Bad debt expense	-	-	-	48,639	-	48,639	48,639
Other expenses	20,972	9,290	30,262	9,306	-	9,306	39,568
Total Expenses Before Depreciation	4,489,384	688,676	5,178,060	679,786	353,726	1,033,512	6,211,572
Depreciation	61,397	-	61,397	4,954	-	4,954	66,351
TOTAL EXPENSES	\$ 4,550,781	\$ 688,676	\$ 5,239,457	\$ 684,740	\$ 353,726	\$ 1,038,466	\$ 6,277,923

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
Total Expenses Before Depreciation	3,000,063	711,154	3,711,217	586,963	373,462	960,425	4,671,642
Depreciation	64,097	-	64,097	2,985	-	2,985	67,082
TOTAL EXPENSES	\$ 3,064,160	\$ 711,154	\$ 3,775,314	\$ 589,948	\$ 373,462	\$ 963,410	\$ 4,738,724

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u> (as restated)
Change in net assets	\$ 613,801	\$ 2,833,012
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	66,351	67,082
Realized gain on investments	(46,283)	(18,875)
Unrealized gain on investments	(423,810)	(449,730)
Loss on disposal of fixed assets	658	5,709
Change in value of charitable trusts	28,714	28,839
Change in cash surrender value donor life insurance	2,294	(2,827)
Changes in:		
Contributions receivable	(116,070)	838,042
Pledges receivable	(890,404)	-
Advances to field offices	20,933	(15,744)
Other receivables	(17,515)	-
Prepaid expenses	(5,736)	(37,309)
Accounts payable	(54,080)	88,991
Accrued expenses	(6,765)	41,683
	<u>(827,912)</u>	<u>3,378,873</u>
Net cash (used) provided by operating activities	<u>(827,912)</u>	<u>3,378,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	66,471	85,535
Purchases of investments, net	(456,914)	(2,516,733)
Purchases of property and equipment	(11,562)	(13,544)
	<u>(402,005)</u>	<u>(2,444,742)</u>
Net cash used in investing activities	<u>(402,005)</u>	<u>(2,444,742)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,229,917)	934,131
CASH AND CASH EQUIVALENTS, Beginning of year	<u>4,682,843</u>	<u>3,748,712</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 3,452,926</u></u>	<u><u>\$ 4,682,843</u></u>

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019 (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 2020 or 2019.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019 (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 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. The allowance as of December 31, 2020 was \$48,639. There was no allowance recorded as of December 31, 2019.

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, 2020 and 2019 is \$165,857 and \$168,151, 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, 2020 AND DECEMBER 31, 2019 (as restated)

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

Subsequent Events

Subsequent events have been evaluated through May 1, 2021, 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>2020</u>	<u>2019</u>
Cash and bank sweep	\$ 475,369	\$ 807,426
Fixed income	-	1,341,876
Equities	4,152	-
Bond mutual funds	768,135	1,430,328
Equity mutual funds	3,523,573	2,748,134
Exchange traded funds - bonds	2,483,542	-
	<u>\$ 7,254,771</u>	<u>\$ 6,327,764</u>

The following summarizes the net investment income for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrealized gains	\$ 391,901	\$ 30,649	\$ 422,550
Realized gains	42,852	3,431	46,283
Interest and dividends	187,091	10,221	197,312
Less: Investment related expenses	<u>31,489</u>	<u>-</u>	<u>31,489</u>
	<u>\$ 590,355</u>	<u>\$ 44,301</u>	<u>\$ 634,656</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, 2020 AND DECEMBER 31, 2019 (as restated)

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>2020</u>	<u>2019</u>
Fixed income	\$ -	\$ 1,341,876
Equities	\$ 4,152	\$ -
Bond mutual funds	\$ 768,135	\$ 1,430,328
Equity mutual funds	\$ 3,523,573	\$ 2,748,154
Exchange traded funds - bonds	\$ 2,483,542	\$ -

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.

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

	<u>2020</u>	<u>2019</u>
Cash surrender value donor life insurance	\$ 165,857	\$ 168,151
Pledges receivable	\$ 890,404	\$ -
Note receivable	\$ 220,205	\$ 286,676

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019 (as restated)

NOTE 3: FAIR VALUE MEASUREMENTS - continued

Cash surrender value donor life insurance

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

Pledges receivable

Pledges receivable fair value is determined using the present value of future case flows, discounted using market rate assumptions.

Note receivable

Note receivable fair value is determined using the present value of future cash flows, discounted using market rate assumptions.

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

	<u>2020</u>	<u>2019</u>
Beneficial interest in endowments held by others	\$ 610,066	\$ 628,892
Beneficial interest in charitable trusts held by others	\$ 494,726	\$ 504,614

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, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,133,506	\$ 1,162,345
Contributions	-	18,320
Change in value	<u>(28,714)</u>	<u>(47,159)</u>
Balance, end of year	<u>\$ 1,104,792</u>	<u>\$ 1,133,506</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:

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019 (as restated)

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, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 4,537,091	\$ -	\$ 4,537,091
Education and training	58,022	280,842	338,864
Translation	14,977	167,166	182,143
General fund	-	157,180	157,180
	<u>\$ 4,610,090</u>	<u>\$ 605,188</u>	<u>\$ 5,215,278</u>

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019 (as restated)

NOTE 4: ENDOWMENT FUNDS - continued

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>

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>2020</u>	<u>2019</u>
Beginning balance	\$ 4,313,347	\$ 3,342,426
Investment income	139,805	143,019
Net appreciation	466,149	474,684
Withdrawals	(172,534)	(133,696)
Deposits	500,000	500,000
Administrative fees	<u>(31,489)</u>	<u>(13,086)</u>
Ending balance	<u>\$ 5,215,278</u>	<u>\$ 4,313,347</u>

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2020:

	<u>2020</u>
Due in less than one year	\$ 312,980
Due in one to five years	<u>659,800</u>
	972,780
Less:	
Allowance for uncollectible pledges	48,639
Discount at 3%	<u>33,737</u>
	<u>\$ 890,404</u>

There were no pledges receivable as of December 31, 2019.

NOTE 6: NOTE RECEIVABLE

The Organization has a note receivable with monthly payments of \$2,416 and an additional \$30,000 be paid annually. At December 31, 2020 and 2019, the balance of the note receivable was \$220,205 and \$286,676, respectively.

LUTHERAN BIBLE TRANSLATORS, INC.
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NOTE 7: 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. 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, 2020 and 2019.

The Organization has an operating lease for its copier equipment that requires monthly payments of \$877 through July 2025.

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

Equipment rental expense was \$31,529 and \$33,060 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease obligations as of December 31, 2020 are as follows:

2021	\$ 23,427
2022	23,427
2023	21,891
2024	21,123
2025	<u>20,928</u>
Total	<u>\$ 110,796</u>

NOTE 8: 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, 2020 and 2019, 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, 2020 and 2019, were \$154,038 and \$136,119, 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, 2020 and 2019, were \$22,523 and \$28,909, respectively.

LUTHERAN BIBLE TRANSLATORS, INC.
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NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2020</u>	<u>2019</u> <u>(restated)</u>
Mission projects and programs	\$ 1,059,118	\$ 2,064,028
Education and training	280,842	257,306
Translation	167,166	139,317
Time restricted	2,747,859	1,604,242
General fund	<u>157,180</u>	<u>131,755</u>
Total net assets with donor restrictions	<u>\$ 4,412,165</u>	<u>\$ 4,196,648</u>

NOTE 10: 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, 2020 and 2019, 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>2020</u>	<u>2019</u> <u>(restated)</u>
Cash and cash equivalents	\$ 3,452,926	\$ 4,682,843
Contributions receivable	586,806	470,736
Pledges receivable	890,404	-
Beneficial interest in endowments held by others	610,066	628,892
Beneficial interest in charitable trusts held by others	494,726	504,614
Cash surrender value donor life insurance	165,857	168,151
Investments	<u>7,254,771</u>	<u>6,327,764</u>
Total financial assets	13,455,556	12,783,000
Less amounts not available to be used within one year:		
Net assets with donor restrictions included in financial assets	4,412,165	4,196,648
Board designated net assets	<u>4,537,091</u>	<u>3,657,964</u>
	<u>8,949,256</u>	<u>7,854,612</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,506,300</u>	<u>\$ 4,928,388</u>

NOTE 11: PAYCHECK PROTECTION PROGRAM CONTRIBUTION

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 were utilized to fund payroll and other operating expenses. The Organization received notification in November 2020 that the loan balance was forgiven in full and it was recognized as income in the year ended December 31, 2020.

LUTHERAN BIBLE TRANSLATORS, INC.
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NOTE 12: PRIOR PERIOD ADJUSTMENT

The Organization discovered that revenues for prior periods had been understated for a grant 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, 2019. The beginning net assets as of January 1, 2019 were also adjusted for grants that should have been recognized in prior periods. Net assets with donor restrictions were increased by \$443,651 as of January 1, 2019.

The effect of the restatement on changes in net assets and financial position as of and for the year ended December 31, 2019 is as follows:

	As previously <u>reported</u>	<u>Restated</u>
Net assets with donor restrictions:		
Contributions	\$ 2,133,945	\$ 2,089,993
Change in net assets with donor restrictions	\$ 1,055,449	\$ 1,011,497
Change in net assets	\$ 2,876,964	\$ 2,833,012
Contributions receivable	\$ 70,736	\$ 470,736
Total current assets	\$ 4,877,078	\$ 5,277,078
Total assets	\$ 13,014,071	\$ 13,414,071
Net assets, with donor restrictions	\$ 3,796,648	\$ 4,196,648
Total net assets	\$ 12,837,072	\$ 13,236,771
Total liabilities and net assets	\$ 13,014,071	\$ 13,414,071

NOTE 13: UNCERTAINTIES AND SUBSEQUENT EVENT

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. 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 February 2021, the Organization qualified for a loan program under the Coronavirus Aid, Relief and Economic Security (CARES) Act and entered into a debt agreement for \$396,080. The proceeds will be utilized to fund payroll and other operating expenses. The loan bears interest at 1% and requires monthly payments of \$8,505 beginning in March 2022. The balance of the loan is due in February 2026. 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:

Year ending December 31,	
2021	\$ -
2022	82,021
2023	99,332
2024	100,330
2025	101,337
Thereafter	<u>13,060</u>
	<u>\$ 396,080</u>