

LUTHERAN BIBLE TRANSLATORS, INC.
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

LUTHERAN BIBLE TRANSLATORS, INC.

DECEMBER 31, 2021 AND 2020

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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

Opinion

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, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Bible Translators, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Bible Translators, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lutheran Bible Translators, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Bible Translators, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emerich + Company, P.C.

Kansas City, Missouri
May 4, 2022

**LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 and 2020**

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,626,869	\$ 3,452,926
Contributions receivable	529,500	586,806
Pledges receivable, net	323,883	297,331
Advances to field offices	15,211	19,376
Other receivables	15,894	17,515
Prepaid expenses	54,692	43,045
Note receivable, current portion	-	49,282
Total Current Assets	4,566,049	4,466,281
OTHER ASSETS		
Investments	9,157,682	7,254,771
Beneficial interest in endowments held by others	749,673	610,066
Beneficial interest in charitable trusts held by others	555,889	494,726
Cash surrender value donor life insurance	173,725	165,857
Pledges receivable, net	522,695	593,073
Note receivable, net of current portion	-	170,923
Total Other Assets	11,159,664	9,289,416
PROPERTY AND EQUIPMENT, AT COST		
Leasehold improvements	179,870	179,870
Field equipment	497,675	540,518
Office equipment	58,858	58,394
	736,403	778,782
Accumulated depreciation	(557,203)	(567,452)
Net Property and Equipment	179,200	211,330
TOTAL ASSETS	\$ 15,904,913	\$ 13,967,027

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 43,171	\$ 52,460
Accrued expenses	79,130	63,995
Total Current Liabilities	122,301	116,455
NET ASSETS		
Undesignated	6,871,088	4,901,316
Board designated	4,733,328	4,537,091
Total net assets without donor restrictions	11,604,416	9,438,407
With donor restrictions	4,178,196	4,412,165
Total Net Assets	15,782,612	13,850,572
TOTAL LIABILITIES AND NET ASSETS	\$ 15,904,913	\$ 13,967,027

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE		
Contributions	\$ 4,368,582	\$ 3,983,713
Bequests	1,091,007	429,897
Investment income, net	633,029	590,355
Other income	53,099	9,150
Paycheck Protection Program income	369,080	200,000
Net assets released from restrictions	2,327,364	1,463,092
Total support and revenue	8,842,161	6,676,207
 EXPENSES		
Program services:		
Field services	4,917,071	4,550,781
Program ministries	679,549	688,676
Total program services	5,596,620	5,239,457
Supporting services:		
Management and general	680,307	684,740
Fundraising	399,225	353,726
Total supporting services	1,079,532	1,038,466
Total Expenses	6,676,152	6,277,923
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,166,009	398,284
 NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	1,498,565	982,641
Grants	533,667	618,575
Bequests	-	61,806
Investment income, net	-	44,301
Change in value of charitable trusts	61,163	(28,714)
Net assets released from restrictions	(2,327,364)	(1,463,092)
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(233,969)	215,517
 CHANGE IN NET ASSETS	1,932,040	613,801
 NET ASSETS, Beginning of year	13,850,572	13,236,771
 NET ASSETS, End of year	\$ 15,782,612	\$ 13,850,572

See Notes to Financial Statements

**LUTHERAN BIBLE TRANSLATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services			Supporting Services			Total Expenses
	Field Services	Program Ministries	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 871,698	\$ 276,430	\$ 1,148,128	\$ 219,017	\$ 358,772	\$ 577,789	\$ 1,725,917
Retirement plan	119,383	37,708	157,091	44,748	-	44,748	201,839
Other employee benefits	558,990	176,232	735,222	161,967	-	161,967	897,189
Payroll taxes	72,433	21,447	93,880	30,161	-	30,161	124,041
Newsletter	-	45,730	45,730	-	5,422	5,422	51,152
Direct mailings	-	3,892	3,892	-	35,027	35,027	38,919
Professional fees	139,307	18,795	158,102	87,487	-	87,487	245,589
Supplies	27,174	4,852	32,026	11,808	-	11,808	43,834
Telecommunications	21,785	3,556	25,341	3,000	-	3,000	28,341
Postage and shipping	9,496	4,002	13,498	9,653	-	9,653	23,151
Occupancy	195,573	6,183	201,756	12,945	-	12,945	214,701
Equipment rental and maintenance	15,340	3,079	18,419	11,194	-	11,194	29,613
Printing and publication	14,235	6,822	21,057	25,514	-	25,514	46,571
Travel	254,917	41,720	296,637	42,644	-	42,644	339,281
Conferences, meetings, and workshops	21,634	13,252	34,886	1,969	-	1,969	36,855
Missionary/national support	67,912	4,288	72,200	2,721	4	2,725	74,925
Special project expenses	2,466,415	-	2,466,415	-	-	-	2,466,415
Other expenses	24,234	11,561	35,795	10,205	-	10,205	46,000
Total Expenses Before Depreciation	4,880,526	679,549	5,560,075	675,033	399,225	1,074,258	6,634,333
Depreciation	36,545	-	36,545	5,274	-	5,274	41,819
TOTAL EXPENSES	\$ 4,917,071	\$ 679,549	\$ 5,596,620	\$ 680,307	\$ 399,225	\$ 1,079,532	\$ 6,676,152

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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Change in net assets	\$ 1,932,040	\$ 613,801
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,819	66,351
Paycheck Protection Program income	(369,080)	(200,000)
Noncash restricted contribution	(1,195,655)	-
Realized loss on investments	(696,495)	(46,283)
Unrealized loss (gain) on investments	206,833	(422,550)
(Gain) loss on disposal of property and equipment	(19,928)	658
Change in value of charitable trusts	(200,770)	28,714
Change in cash surrender value donor life insurance	(7,868)	2,294
Changes in:		
Contributions receivable	57,306	(116,070)
Pledges receivable	43,826	(890,404)
Advances to field offices	4,165	20,933
Other receivables	1,621	(17,515)
Prepaid expenses	(11,647)	(5,736)
Accounts payable	(9,289)	(54,080)
Accrued expenses	15,135	(6,765)
Net cash used in operating activities	<u>(207,987)</u>	<u>(1,026,652)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	220,205	66,471
Purchases of investments, net	(1,413,249)	(458,174)
Net disposals (purchases) of property and equipment	10,239	(11,562)
Net cash used in investing activities	<u>(1,182,805)</u>	<u>(403,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program proceeds	369,080	200,000
Noncash restricted contributions	1,195,655	-
Net cash provided by investing activities	<u>1,564,735</u>	<u>200,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	173,943	(1,229,917)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,452,926</u>	<u>4,682,843</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 3,626,869</u></u>	<u><u>\$ 3,452,926</u></u>
Noncash transactions:		
Contributions of stock	<u>\$ 1,287,169</u>	<u>\$ 13,059</u>
Gain on forgiveness of Paycheck Protection Program loan	<u>\$ 369,080</u>	<u>\$ 200,000</u>

See Notes to Financial Statements

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 worldwide staff of missionaries. Program ministries include activities related to worldwide 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 2021 or 2020.

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 was \$45,815 and \$48,639, respectively.

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, 2021 and 2020 is \$173,725 and \$165,857, 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
DECEMBER 31, 2021 AND 2020

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

Subsequent Events

Subsequent events have been evaluated through May 4, 2022, 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>2021</u>	<u>2020</u>
Cash and bank sweep	\$ 548,466	\$ 475,369
Equities	4,051	4,152
Bond mutual funds	970,677	768,135
Equity mutual funds	452,534	3,523,573
Exchange traded funds - bonds	<u>7,181,954</u>	<u>2,483,542</u>
	<u>\$ 9,157,682</u>	<u>\$ 7,254,771</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>

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
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>

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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>2021</u>	<u>2020</u>
Equities	\$ 4,051	\$ 4,152
Bond mutual funds	\$ 970,677	\$ 768,135
Equity mutual funds	\$ 452,534	\$ 3,523,573
Exchange traded funds - bonds	\$ 7,181,954	\$ 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>2021</u>	<u>2020</u>
Cash surrender value donor life insurance	\$ 173,725	\$ 165,857
Pledges receivable, net	\$ 846,578	\$ 890,404
Note receivable	\$ -	\$ 220,205

LUTHERAN BIBLE TRANSLATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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>2021</u>	<u>2020</u>
Beneficial interest in endowments held by others	\$ 749,673	\$ 610,066
Beneficial interest in charitable trusts held by others	\$ 555,889	\$ 494,726

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, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,104,792	\$ 1,133,506
Contributions	139,607	-
Change in value	<u>61,163</u>	<u>(28,714)</u>
Balance, end of year	<u>\$ 1,305,562</u>	<u>\$ 1,104,792</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
DECEMBER 31, 2021 AND 2020

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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor 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	-	104,526	104,526
	<u>\$ 5,818,507</u>	<u>\$ 302,831</u>	<u>\$ 6,121,338</u>

LUTHERAN BIBLE TRANSLATORS, INC.
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NOTE 4: ENDOWMENT FUNDS - continued

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>

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,

	2021	2020
Beginning balance	\$ 5,215,278	\$ 4,313,347
Investment income	124,593	139,805
Net appreciation	529,962	466,149
Withdrawals	(208,611)	(172,534)
Deposits	500,000	500,000
Administrative fees	(39,884)	(31,489)
Ending balance	<u>\$ 6,121,338</u>	<u>\$ 5,215,278</u>

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2021:

	<u>2021</u>
Due in less than one year	\$ 340,930
Due in one to five years	<u>575,370</u>
	916,300
Less:	
Allowance for uncollectible receivables	(45,815)
Discount at 3%	<u>(23,907)</u>
	<u>\$ 846,578</u>

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 receivables	(48,639)
Discount at 3%	<u>(33,737)</u>
	<u>\$ 890,404</u>

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NOTE 6: NOTE RECEIVABLE

The Organization had a note receivable with monthly payments of \$2,416 and an additional \$30,000 be paid annually. At December 31, 2021 and 2020, the balance of the note receivable was \$0 and \$220,205, respectively. The note was paid in full during 2021.

NOTE 7: OPERATING LEASES

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 through August 31, 2025, at which time rental payments of \$2,250 commence.

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 \$21,529 and \$33,060 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease obligations as of December 31, 2021 are as follows:

2022	\$ 23,427
2023	21,891
2024	21,123
2025	20,928
2026	<u>27,000</u>
Total	<u>\$ 114,369</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, 2021 and 2020, 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, 2021 and 2020, were \$174,239 and \$154,038, 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, 2021 and 2020, were \$27,600 and \$22,523, 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>2021</u>	<u>2020</u>
Mission projects and programs	\$ 990,000	\$ 1,059,118
Education and training	96,286	280,842
Translation	132,019	167,166
Time restricted	2,855,365	2,747,859
General fund	<u>104,526</u>	<u>157,180</u>
Total net assets with donor restrictions	<u>\$ 4,178,196</u>	<u>\$ 4,412,165</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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,626,869	\$ 3,452,926
Contributions receivable	529,500	586,806
Pledges receivable	846,578	890,404
Beneficial interest in endowments held by others	749,673	610,066
Beneficial interest in charitable trusts held by others	555,889	494,726
Cash surrender value donor life insurance	173,725	165,857
Investments	<u>9,157,682</u>	<u>7,254,771</u>
Total financial assets	15,639,916	13,455,556

Less amounts not available to be used within one year:

Net assets with donor restrictions included in financial assets	4,178,196	4,412,165
Board designated net assets	<u>4,733,328</u>	<u>4,537,091</u>
	<u>8,911,524</u>	<u>8,949,256</u>

Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,728,392</u>	<u>\$ 4,506,300</u>
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NOTE 11: PAYCHECK PROTECTION PROGRAM INCOME

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.

In February 2021, the Organization qualified for a loan program under the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) and entered into a debt agreement for \$396,080. The proceeds were utilized to fund payroll and other operating expenses. The Organization received notification in July 2021 that the loan balance was forgiven in full and it was recognized as income in the year ended December 31, 2021.

NOTE 12: RELATED PARTIES

Members of the board of directors donated \$116,435 and \$118,328 during the years ended December 31, 2021 and 2020, respectively.

NOTE 13: UNCERTAINTIES

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.