

**LUTHERAN BIBLE TRANSLATORS, INC.**

**Financial Statements**

**December 31, 2022**

(With Summarized Financial Information for the Year Ended December 31, 2021)

**With Independent Auditors' Report**



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Lutheran Bible Translators, Inc.

### **Opinion**

We have audited the accompanying financial statements of Lutheran Bible Translators, Inc., (a California not for profit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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, 2022, 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 Auditors' 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.

### **Prior Period Financial Statements**

The summarized comparative financial statement of the Lutheran Bible Translators, Inc. as of December 31, 2021 and for the year then ended were audited by other auditors whose report, dated May 4, 2022, expressed an unmodified opinion on those statements.

### **Responsibilities of Management 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.

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.

#### *Members:*

## **Auditors' 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 auditors' 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 are considered material if there is a substantial likelihood that, individually or in 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.

*JDS Professional Group*  
*Certified Public Accountants, Consultants and Advisors, LLC*

May 31, 2023

## LUTHERAN BIBLE TRANSLATORS, INC.

## Statement of Financial Position

December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,788,330	\$ 3,626,869
Grant receivable	1,681,882	529,500
Pledges receivable, net	911,018	846,578
Other receivables	10,952	15,894
Advances to field offices	5,380	15,211
Prepays	30,550	54,692
Investments	8,420,351	9,157,682
Beneficial interest in charitable trusts held by others	508,298	555,889
Beneficial interest in endowments held by others	749,673	749,673
Cash surrender value of life insurance	575,632	173,725
Right-of-use asset, net	127,593	-
Property and equipment, net	169,217	179,200
	<u>\$15,978,876</u>	<u>\$ 15,904,913</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 51,376	\$ 43,171
Accrued liabilities	82,049	79,130
Lease liability	151,927	-
	<u>285,352</u>	<u>122,301</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	6,467,215	6,871,088
Designated	5,233,328	4,733,328
Total without donor restrictions	<u>11,700,543</u>	<u>11,604,416</u>
With donor restrictions		
Restricted by purpose or time	<u>3,992,981</u>	<u>4,178,196</u>
	<u>15,693,524</u>	<u>15,782,612</u>
	<u>\$15,978,876</u>	<u>\$ 15,904,913</u>

The accompanying notes are an integral part of these statements.

LUTHERAN BIBLE TRANSLATORS, INC.  
Statement of Activities  
For the Year Ended December 31, 2022  
(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 5,034,279	\$ 1,074,942	\$ 6,109,221	\$ 5,867,147
Grants	-	1,655,439	1,655,439	533,667
Bequests	336,458	-	336,458	1,091,007
Investment income (loss), net	(499,664)	-	(499,664)	633,029
CARES Act PPP refundable advance	-	-	-	369,080
Change in value of charitable trusts	-	(47,591)	(47,591)	61,163
Interest	18,572	-	18,572	-
Loss on sale of an asset	(1,343)	-	(1,343)	-
Other income	7,529	-	7,529	53,099
Net assets released from restrictions:				
Satisfaction of program restrictions	2,868,005	(2,868,005)	-	-
<b>Total Revenues and Other Support</b>	<b>7,763,836</b>	<b>(185,215)</b>	<b>7,578,621</b>	<b>8,608,192</b>
<b>EXPENSES</b>				
Program services				
Field services	6,017,422	-	6,017,422	4,917,071
Program ministries	589,832	-	589,832	679,549
<b>Total Program Services</b>	<b>6,607,254</b>	<b>-</b>	<b>6,607,254</b>	<b>5,596,620</b>
Supporting activities				
General and administrative	646,178	-	646,178	680,307
Fundraising	414,277	-	414,277	399,225
<b>Total Supporting Activities</b>	<b>1,060,455</b>	<b>-</b>	<b>1,060,455</b>	<b>1,079,532</b>
<b>Total Expenses</b>	<b>7,667,709</b>	<b>-</b>	<b>7,667,709</b>	<b>6,676,152</b>
<b>CHANGES IN NET ASSETS</b>	<b>96,127</b>	<b>(185,215)</b>	<b>(89,088)</b>	<b>1,932,040</b>
<b>NET ASSETS, beginning of year</b>	<b>11,604,416</b>	<b>4,178,196</b>	<b>15,782,612</b>	<b>13,850,572</b>
<b>NET ASSETS, end of year</b>	<b>\$ 11,700,543</b>	<b>\$ 3,992,981</b>	<b>\$ 15,693,524</b>	<b>\$ 15,782,612</b>

The accompanying notes are an integral part of these statements.

LUTHERAN BIBLE TRANSLATORS, INC.  
Statement of Functional Expenses  
For the Years Ended December 31, 2022

	Program Services		Total	Supporting Activities		Total	Total
	Field Services	Program Ministries	Program Services	General & Administration	Fundraising	Supporting Activities	
Salaries and related benefits	\$ 1,049,910	\$ 244,291	\$ 1,294,201	\$ 213,065	\$ 386,773	\$ 599,838	\$ 1,894,039
Retirement plan	131,436	32,745	164,181	42,365	-	42,365	206,546
Other employee benefits	295,560	87,894	383,454	96,901	-	96,901	480,355
Payroll taxes	88,325	18,264	106,589	29,300	-	29,300	135,889
Newsletter	-	56,553	56,553	-	6,326	6,326	62,879
Direct mailings	-	2,238	2,238	-	20,138	20,138	22,376
Professional fees	141,660	8,132	149,792	31,079	-	31,079	180,871
Supplies	15,357	9,866	25,223	9,958	-	9,958	35,181
Telecommunications	18,967	3,226	22,193	4,085	-	4,085	26,278
Postage and shipping	10,465	4,444	14,909	11,149	-	11,149	26,058
Occupancy	126,988	6,629	133,617	38,063	-	38,063	171,680
Equipment rental and maintenance	8,858	3,579	12,437	15,495	-	15,495	27,932
Printing and publication	23,418	12,578	35,996	48,821	-	48,821	84,817
Travel	359,324	67,578	426,902	80,427	-	80,427	507,329
Conferences, meetings, and workshops	12,243	9,604	21,847	3,197	-	3,197	25,044
Missionary/national support	105,529	8,751	114,280	3,278	-	3,278	117,558
Special projects expenses	3,522,699	-	3,522,699	-	-	-	3,522,699
Depreciation	51,077	-	51,077	5,461	-	5,461	56,538
Other expenses	55,606	13,460	69,066	13,534	1,040	14,574	83,640
<b>Total Expenses</b>	<b>\$ 6,017,422</b>	<b>\$ 589,832</b>	<b>\$ 6,607,254</b>	<b>\$ 646,178</b>	<b>\$ 414,277</b>	<b>\$ 1,060,455</b>	<b>\$ 7,667,709</b>

The accompanying notes are an integral part of this statement

LUTHERAN BIBLE TRANSLATORS, INC.  
Statement of Functional Expenses  
For the Years Ended December 31, 2021

	Program Services		Total	Supporting Activities		Total	Total
	Field Services	Program Ministries	Program Services	General & Administration	Fundraising	Supporting Activities	
Salaries and related benefits	\$ 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 projects expenses	2,466,415	-	2,466,415	-	-	-	2,466,415
Depreciation	36,545	-	36,545	5,274	-	5,274	41,819
Other expenses	24,234	11,561	35,795	10,205	-	10,205	46,000
<b>Total Expenses</b>	<b>\$ 4,917,071</b>	<b>\$ 679,549</b>	<b>\$ 5,596,620</b>	<b>\$ 680,307</b>	<b>\$ 399,225</b>	<b>\$ 1,079,532</b>	<b>\$ 6,676,152</b>

The accompanying notes are an integral part of this statement

LUTHERAN BIBLE TRANSLATORS, INC.

Statement of Cash Flows

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (89,088)	\$ 1,932,040
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	56,538	41,819
Forgiveness of CARES Act PPP refundable advance	-	(369,080)
Reduction in the carrying amount of right-of-use asset	(75,987)	-
Noncash restricted contribution	-	(1,195,655)
Realized/unrealized gain (loss) on investments	1,386,181	(489,662)
(Gain) loss on disposal of property and equipment	1,343	(19,928)
Change in value of charitable trusts	47,591	(200,770)
Change in cash surrender value donor life insurance	(401,907)	(7,868)
Changes in assets and liabilities, net		
(Increase) decrease in assets:		
Contributions receivable	(1,152,382)	57,306
Pledges receivable	(64,440)	43,826
Advances to field offices	9,831	4,165
Other receivables	(73,899)	1,621
Prepaid expenses	24,142	(11,647)
Increase (decrease) in liabilities:		
Accounts payable	8,205	(9,289)
Accrued expenses	2,919	15,135
Right of use liability	85,921	-
Net Cash Provided by (Used in) Operating Activities	<u>(235,032)</u>	<u>(207,987)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on note receivable	-	220,205
Purchases of investments, net	(648,850)	(1,413,249)
Purchases of property and equipment	(48,495)	10,239
Net Cash Used in Investing Activities	<u>(697,345)</u>	<u>(1,182,805)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from CARES Act PPP refundable advance	-	369,080
Noncash restricted contributions	-	1,195,655
Net Cash Provided by Financing Activities	<u>-</u>	<u>1,564,735</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(932,377)</b>	<b>173,943</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u><b>3,626,869</b></u>	<u><b>3,452,926</b></u>
<b>CASH AND CASH EQUIVALENTS end of year</b>	<u><u><b>\$ 2,694,492</b></u></u>	<u><u><b>\$ 3,626,869</b></u></u>

The accompanying notes are an integral part of these statements



LUTHERAN BIBLE TRANSLATORS, INC.  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 1 - Nature of the Organization**

The Lutheran Bible Translators, Inc. (the “Organization”), formerly Messengers for Christ, is a not-for-profit religious organization engaged in 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.

**NOTE 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

**Recently Adopted Accounting Standards**

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which required lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative periods (2021 and 2020). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized a right-of-use asset and a lease liability of \$159,791, in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported on the statement of activities for the year ended December 31, 2022.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

LUTHERAN BIBLE TRANSLATORS, INC.  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2 - Summary of Significant Accounting Policies** (continued)

**Estimates**

The preparation of the comparative financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates, and those differences could be material.

**Cash and Cash Equivalents**

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents unless the cash is held to meet restrictions for the purchase of property and equipment or other donor restrictions.

**Grants and Other Receivables**

The Organization believes that its receivables, which are recorded at fair value, are fully collectible. The Organization uses the allowance method of accounting for doubtful accounts, estimating the uncollectible receivable and recording allowances based upon historical bad debt experience and management's assessment of collectability.

**Pledges Receivable**

Pledges receivable are recognized as revenues in the period the unconditional promise is received and are stated at the unpaid balances, less an allowance for uncollectible pledges and an imputed interest discount.

**Investments and Fair Value Measurements**

The Organization uses fair value measurements which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides 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).

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.

LUTHERAN BIBLE TRANSLATORS, INC.  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2 - Summary of Significant Accounting Policies** (continued)

**Investments and Fair Value Measurements** (continued)

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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

*Fixed income securities, equities, bonds, and government obligations:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Organization are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at their price. The mutual funds held by the Organization are considered to be actively traded.

*Beneficial interest in assets held at foundations:* Valued as reported by the foundation holding the endowment funds based on the Organization's proportionate share of the present value of the trusts as provided.

*Cash surrender value of 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.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

LUTHERAN BIBLE TRANSLATORS, INC.  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2 - Summary of Significant Accounting Policies** (continued)

**Investments and Fair Value Measurements** (continued)

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of three to thirty years. The cost of maintenance and repairs is expensed as incurred; significant acquisitions and improvements that cost more than \$1,000 are capitalized.

**Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from the operating and non operating activities. Operating activities consists of those items attributable to the Organization's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

**Revenue and Revenue Recognition**

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Management expects that all grants and other receivables will be fully collectible, accordingly, there is no allowance for uncollectible grants and other receivables.

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release and are not recognized until the conditions on which they depend have been met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period on which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Certain donated services, goods, and facilities that meet the criteria for recognition, are reflected in the financial statements at their estimated fair market value at the time of the donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services for the year ended December 31, 2022, that met the criteria for recognition.

LUTHERAN BIBLE TRANSLATORS, INC.  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2 - Summary of Significant Accounting Policies** (continued)

**Beneficial Interest in Assets Held for 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 beneficia interest at fair value.

**Cash Surrender Value Donor Life Insurance**

The Organization is owner and beneficiary of nine donor life insurance policies. The cash surrender value of the policies at December 31, 2022 and 2021 is \$575,632 and \$173,725, respectively.

**Leases**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the balance sheets. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Methods Used for Allocation of Expenses from Management and General Activities**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, facilities, insurance, and telephone which are allocated on the basis of estimates of time and effort.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**Reclassifications**

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

**Subsequent Events**

Management has performed an evaluation of subsequent events through the date of this report, which is the date the financial statements were available to be issued.

LUTHERAN BIBLE TRANSLATORS, INC.  
Notes to Financial Statements  
December 31, 2022 and 2021

**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 Restrictions</u>	<u>With Donor 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 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	<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><u>151,927</u></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.