

LUTHERAN BIBLE TRANSLATORS, INC.

**Financial Statements
December 31, 2023 and 2022
With Independent Auditors' Report**

JDS professional
group
certified public accountants, consultants and advisors



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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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.

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.

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.

Members:

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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

September 24, 2024

LUTHERAN BIBLE TRANSLATORS, INC.

Statement of Financial Position

December 31, 2023, and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 4,063,170	2,788,330
Grant receivable	122,482	1,681,882
Pledges receivable, net	669,627	911,018
Other receivables	-	10,952
Advances to field offices	8,994	5,380
Prepays	47,705	30,550
Investments	9,477,990	8,086,515
Investments to be held in perpetuity	358,309	333,836
Beneficial interest in charitable trusts held by others	489,008	508,298
Beneficial interest in endowments held by others	642,104	749,673
Cash surrender value of life insurance	424,464	575,632
Right-of-use asset, net	95,286	127,593
Property and equipment, net	168,463	169,217
	<u>\$ 16,567,602</u>	<u>\$ 15,978,876</u>
LIABILITIES		
Accounts payable	\$ 78,044	51,376
Accrued liabilities	127,430	82,049
Lease liability	143,955	151,927
	<u>349,429</u>	<u>285,352</u>
NET ASSETS		
Without donor restrictions		
Undesignated	7,019,411	4,679,857
Designated	6,492,768	5,233,328
Total without donor restrictions	<u>13,512,179</u>	<u>9,913,185</u>
With donor restrictions		
Restricted by purpose or time	<u>2,705,994</u>	<u>5,780,339</u>
	<u>16,218,173</u>	<u>15,693,524</u>
	<u>\$ 16,567,602</u>	<u>\$ 15,978,876</u>

The accompanying notes are an integral part of these statements.

LUTHERAN BIBLE TRANSLATORS, INC.

Statement of Activities

For the Year Ended December 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 4,019,416	\$ 112,650	\$ 4,132,066
Grants	1,321,349	122,482	1,443,831
Bequests	1,271,526	-	1,271,526
Investment income (loss), net	836,126	35,620	871,746
Government grant	235,333	-	235,333
Change in value of beneficial interest in charitable trust	-	(19,290)	(19,290)
Change in value of beneficial interest in endowments	-	(107,569)	(107,569)
Change in value of life insurance, net	-	(151,168)	(151,168)
Loss on sale of an asset	(1,095)	-	(1,095)
Other income	9,659	-	9,659
Net assets released from restrictions:			
Satisfaction of program restrictions	3,067,070	(3,067,070)	-
Total Revenues and Other Support	10,759,384	(3,074,345)	7,685,039
EXPENSES			
Program services			
Field services	5,550,100	-	5,550,100
Program ministries	316,581	-	316,581
Total Program Services	5,866,681	-	5,866,681
Supporting activities			
General and administrative	772,314	-	772,314
Fundraising	521,396	-	521,396
Total Supporting Activities	1,293,710	-	1,293,710
Total Expenses	7,160,391	-	7,160,391
CHANGES IN NET ASSETS	3,598,994	(3,074,345)	524,649
NET ASSETS, beginning of year, as originally reported	11,700,543	3,992,981	15,693,524
Reclassification	(1,787,358)	1,787,358	-
NET ASSETS, beginning of year, after reclassification	9,913,185	5,780,339	15,693,524
NET ASSETS, end of year	\$ 13,512,179	\$ 2,705,994	\$ 16,218,173

The accompanying notes are an integral part of these statements.

LUTHERAN BIBLE TRANSLATORS, INC.

Statement of Activities

For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 3,277,926	\$ 2,831,295	\$ 6,109,221
Grants	-	1,655,439	1,655,439
Bequests	336,458	-	336,458
Investment income (loss), net	(530,669)	31,005	(499,664)
Change in value of charitable trusts	-	(47,591)	(47,591)
Interest	18,572	-	18,572
Loss on sale of an asset	(1,343)	-	(1,343)
Other income	7,529	-	7,529
Net assets released from restrictions:			
Satisfaction of program restrictions	2,868,005	(2,868,005)	-
Total Revenues and Other Support	5,976,478	1,602,143	7,578,621
EXPENSES			
Program services			
Field services	5,958,749	-	5,958,749
Program ministries	557,069	-	557,069
Total Program Services	6,515,818	-	6,515,818
Supporting activities			
General and administrative	569,765	-	569,765
Fundraising	582,126	-	582,126
Total Supporting Activities	1,151,891	-	1,151,891
Total Expenses	7,667,709	-	7,667,709
CHANGES IN NET ASSETS	(1,691,231)	1,602,143	(89,088)
NET ASSETS, beginning of year	11,604,416	4,178,196	15,782,612
NET ASSETS, end of year	\$ 9,913,185	\$ 5,780,339	\$ 15,693,524

The accompanying notes are an integral part of these statements.

LUTHERAN BIBLE TRANSLATORS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services		Total	Supporting Activities		Total	Total
	Field Services	Program Ministries	Program Services	General & Administration	Fundraising	Supporting Activities	
Salaries and related benefits	\$ 1,124,614	\$ 92,182	\$ 1,216,796	\$ 313,417	\$ 313,417	\$ 626,834	\$ 1,843,630
Retirement plan	119,162	9,767	128,929	33,209	33,209	66,418	195,347
Other employee benefits	339,198	26,720	365,918	104,571	99,650	204,221	570,139
Payroll taxes	85,358	6,464	91,822	19,811	20,059	39,870	131,692
Newsletter	-	59,914	59,914	18	7,214	7,232	67,146
Direct mailings	-	2,868	2,868	-	25,811	25,811	28,679
Professional fees	239,107	30,558	269,665	73,432	-	73,432	343,097
Supplies	23,136	6,370	29,506	14,269	-	14,269	43,775
Telecommunications	20,584	2,333	22,917	3,716	-	3,716	26,633
Postage and shipping	8,980	2,995	11,975	8,870	-	8,870	20,845
Occupancy	158,240	4,887	163,127	11,407	-	11,407	174,534
Equipment rental and maintenance	9,993	3,394	13,387	17,388	-	17,388	30,775
Printing and publication	19,073	7,361	26,434	27,684	-	27,684	54,118
Travel	493,348	18,466	511,814	110,519	-	110,519	622,333
Conferences, meetings, and workshops	64,896	1,173	66,069	4,671	-	4,671	70,740
Missionary/national support	56,567	1,195	57,762	5,797	-	5,797	63,559
Special projects expenses	2,736,153	-	2,736,153	-	-	-	2,736,153
Depreciation	24,556	-	24,556	10,360	-	10,360	34,916
Other expenses	27,135	39,934	67,068	13,175	22,036	35,211	102,279
Total Expenses	\$ 5,550,100	\$ 316,581	\$ 5,866,680	\$ 772,314	\$ 521,396	\$ 1,293,710	\$ 7,160,390

The accompanying notes are an integral part of this statement

LUTHERAN BIBLE TRANSLATORS, INC.

Statement of Functional Expenses

For the Year 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	114,633	26,644	141,277	23,133	42,136	65,269	206,546
Other employee benefits	266,597	61,966	328,563	53,800	97,992	151,792	480,355
Payroll taxes	75,418	17,530	92,948	15,220	27,721	42,941	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
Total Expenses	<u>\$ 5,958,749</u>	<u>\$ 557,069</u>	<u>\$ 6,515,818</u>	<u>\$ 569,765</u>	<u>\$ 582,126</u>	<u>\$ 1,151,891</u>	<u>\$ 7,667,709</u>

The accompanying notes are an integral part of this statement

LUTHERAN BIBLE TRANSLATORS, INC.
Statement of Cash Flows
For the Years Ended December 31, 2023, and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 524,649	\$ (89,088)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	34,916	56,538
Amortization of right-of-use asset	32,307	32,198
Realized/unrealized gain (loss) on investments	(566,253)	1,386,181
(Gain) loss on disposal of property and equipment	1,195	1,343
Change in value of charitable trusts	19,290	47,591
Change in value of endowment	107,569	-
Change in cash surrender value donor life insurance	151,168	(401,907)
Changes in assets and liabilities, net		
(Increase) decrease in assets:		
Grant receivable	1,559,400	(1,152,382)
Pledges receivable	241,391	(64,440)
Advances to field offices	(3,614)	9,831
Other receivables	10,952	4,942
Prepaid expenses	(17,155)	24,142
Increase (decrease) in liabilities:		
Accounts payable	26,668	8,205
Accrued expenses	45,381	2,919
Lease liability	(7,972)	(7,864)
Net Cash Provided by (Used in) Operating Activities	2,159,892	(141,791)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	293,958	-
Purchases of investments	(1,143,653)	(648,850)
Purchases of property and equipment	(35,357)	(47,898)
Net Cash Used in Investing Activities	(885,052)	(696,748)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,274,840	(838,539)
CASH AND CASH EQUIVALENTS, beginning of year	2,788,330	3,626,869
CASH AND CASH EQUIVALENTS end of year	\$ 4,063,170	\$ 2,788,330

The accompanying notes are an integral part of these statements

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022

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

Cash and cash equivalents consist of deposits in checking accounts and savings accounts. For the purposes of the statement 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 donor restrictions. The Organization maintains its cash balances at financial institutions insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor or institution and these deposits may exceed the insurance amounts provided by the FDIC. At December 31, 2023, the amount over the FDIC limit was \$996,361. The Organization has not experienced any losses as a result of uninsured balances.

Cash paid for the operating lease for the years ended December 31, 2023 and 2022 included in lease liability were \$ \$9,996.

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. In determining the amount of the allowance as of the balance sheet date, management develops a loss rate. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions and based on a specific assessment of creditworthiness of the receivable. As of December 31, 2023 and 2022, there was no allowance used for credit losses on grants and other receivables.

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. As of December 31, 2023, and 2022, the allowances for credit losses on the accounts receivable balances were \$35,940 and \$41,049 respectively.

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).

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 2 – Summary of Significant Accounting Policies (continued)

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.

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.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 2 – Summary of Significant Accounting Policies (continued)

Investments and Fair Value Measurements (continued)

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.

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 with donor restrictions in the reporting period on which the support is recognized. 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.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

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, 2023 or 2022, that met the criteria for recognition.

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, 2023 and 2022 is \$424,464 and \$575,632, 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 and related benefits, newsletter, advertising, and direct mailings which are allocated on the basis of estimates of time and effort. Depreciation is based on square footage and the remaining expenses are direct costs.

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, 2023 and 2022

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's informational tax returns are subject to review and examination by federal and state authorities. Tax returns for the year ended December 31, 2020 are open to examination by federal authorities and the years ended December 31, 2019 are open to examination by state authorities.

NOTE 4 – Pledges Receivable

Pledges receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 345,483	\$ 418,130
Due in one to five years	<u>373,317</u>	<u>557,240</u>
	718,800	975,370
Less:		
Allowance for uncollectible receivables	(35,940)	(41,049)
Discount at 3%	<u>(13,233)</u>	<u>(23,303)</u>
	<u>\$ 669,627</u>	<u>\$ 911,018</u>

NOTE 5 – 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
Equities	\$ 1,835,588	\$ -	\$ -	\$ 1,835,588
Fixed income mutual funds	232,617	-	-	232,617
Exchange traded funds - bonds	<u>5,397,788</u>	<u>-</u>	<u>-</u>	<u>5,397,788</u>
Investments reflected at fair market value	<u>7,465,993</u>	<u>-</u>	<u>-</u>	<u>7,465,993</u>
Cash and cash equivalents				<u>2,370,306</u>
Total investments				<u>9,836,299</u>

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 5 – Fair Value Measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Other Assets				
Beneficial interest in endowments held by others	<u>-</u>	<u>-</u>	<u>642,104</u>	<u>642,104</u>
Beneficial interest in charitable trusts held by others	<u>-</u>	<u>-</u>	<u>489,008</u>	<u>489,008</u>
Cash surrender value of life insurance policies	<u>-</u>	<u>-</u>	<u>424,464</u>	<u>424,464</u>
	<u>\$ 9,836,299</u>	<u>\$ -</u>	<u>\$ 1,555,576</u>	<u>\$11,391,875</u>

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				
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>
Total investments				<u>8,420,351</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Other 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>-</u>	<u>575,632</u>	<u>575,632</u>
	<u>\$ 8,420,351</u>	<u>\$ -</u>	<u>\$ 1,833,603</u>	<u>\$10,253,954</u>

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 5 – Fair Value Measurements (continued)

The change in Level 3 assets for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Balance, beginning of year	\$ 1,833,603	\$ 1,484,762
Change in beneficial interest in endowments	(107,569)	-
Change in beneficial interest in charitable trusts	(19,290)	(47,591)
Change in cash surrender value of life insurance	(151,168)	396,432
Balance, end of year	\$ 1,555,576	\$ 1,833,603

NOTE 6 – 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
- 2) General economic conditions
- 3) The possible effect of inflation and deflation
- 4) The expected total return from income and the appreciation of investments
- 5) Other resources of the Organization
- 6) 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 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.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 – Endowment Funds (continued)

Strategies Employed for Achieving Objectives

The Organization has a policy to spend, without touching principle, the lessor 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 at December 31, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment net assets	\$ 6,492,768	\$ -	\$ 6,492,768
Donor restricted endowment net assets	<u>-</u>	<u>358,309</u>	<u>358,309</u>
	<u>\$ 6,492,768</u>	<u>\$ 358,309</u>	<u>\$ 6,851,077</u>

Endowment net asset composition at December 31, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment net assets	\$ 5,558,075	\$ -	\$ 5,558,075
Donor restricted endowment net assets	<u>-</u>	<u>333,836</u>	<u>333,836</u>
	<u>\$ 5,558,075</u>	<u>\$ 333,836</u>	<u>\$ 6,891,911</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.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 – Endowment Funds (continued)

The change in the endowment funds is as follows for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year balance	\$ 5,558,075	\$ 333,836	\$ 5,891,911
Contributions	500,000	-	500,000
Investment return, net	717,505	35,620	753,125
Appropriation of assets for Expenditure	<u>(282,812)</u>	<u>(11,147)</u>	<u>(293,959)</u>
Endowment Net Assets, End of Year	<u>\$ 6,492,768</u>	<u>\$ 358,309</u>	<u>\$ 6,851,077</u>

The change in the endowment funds is as follows for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year balance	\$ 5,818,506	\$ 302,831	\$ 6,121,337
Contributions	500,000	-	500,000
Investment return, net	<u>(760,431)</u>	<u>31,005</u>	<u>(729,426)</u>
Endowment Net Assets, End of Year	<u>\$ 5,558,075</u>	<u>\$ 333,836</u>	<u>\$ 5,891,911</u>

NOTE 7 – Property and Equipment

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 192,995	\$ 179,870
Field equipment	436,687	440,049
Office equipment	<u>34,001</u>	<u>55,927</u>
	663,683	675,846
Accumulated depreciation	<u>(495,220)</u>	<u>(506,629)</u>
	<u>\$ 168,483</u>	<u>\$ 169,217</u>

Depreciation expenses was \$34,916 and \$56,538 for the years ended December 31, 2023 and 2022.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 8 – Net assets with Donor Restrictions

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

	2023	2022
<u>Subject to expenditure for specific purpose:</u>		
Mission projects and programs	\$ -	\$ 990,000
Translation	-	30,000
Total	-	1,020,000
 <u>Subject to the passage of time:</u>		
For periods after December 31, 2023:		
Time restricted	792,099	2,592,900
 <u>Subject to the spending policy and appropriation:</u>		
Investments held in perpetuity –		
Assets to be held in perpetuity		
Education and training	96,286	96,286
Translation	102,019	102,019
General purpose	104,526	104,526
Total	302,831	302,831
Endowment funds – amount above original amount	55,478	31,005
Total	358,309	333,836
 Beneficial interests		
Charitable trusts held by others	489,008	508,298
Endowments held by others	642,104	749,673
Cash surrender value of life insurance	424,464	575,632
Total	1,555,576	1,833,603
Net assets with donor restrictions	\$ 2,705,994	\$ 5,780,339

NOTE 9 – 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, 2023 and 2022, 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.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 9 – Liquidity and Funds Available (continued)

Financial assets at year-end:

	2023	2022
Cash and cash equivalents	\$ 4,063,170	\$ 2,788,330
Grants receivable	122,482	1,681,882
Pledges receivable	669,627	911,018
Investments	9,477,990	8,086,515
Total	14,333,269	13,467,745

Less amounts not available to be used within one year:

Board designated net assets	6,303,562	5,008,798
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Financial assets available to meet general expenditures over the next twelve months

	\$ 8,029,707	\$ 8,458,947
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NOTE 10 – 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, 2023 and 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 years ended December 31, 2023, and 2022, total operating lease cost was \$48,669 and \$75,986, respectively. As of December 31, 2023, the weighted average remaining lease term for the Organization’s operating lease was 6.67 years.

LUTHERAN BIBLE TRANSLATORS, INC.
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 10 – Leases (continued)

Future maturities of the lease liability are as follows:

<u>For the Year Ending December 31,</u>		
2024	\$	9,996
2025		15,664
2026		27,000
2027		27,000
2028		27,000
Thereafter		<u>45,000</u>
Total lease payments		151,660
Less present value discount		<u>(7,705)</u>
Total lease obligation	\$	<u><u>143,955</u></u>

NOTE 11 – 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, 2023 and 2022, 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, 2023 and 2022 were \$160,390 and \$171,359, 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, 2023 and 2022, were \$34,957 and \$35,187, respectively.

NOTE 12 – Related Parties

During the year ended December 31, 2023, the Organization paid the board treasurer \$1,525 for services related to donor relations and the Organization hired a family member of the executive director who was paid approximately \$36,000.

NOTE 13 – Concentration Risk

During the year ended December 31, 2023, the Organization received 39% of its revenue from one grantor.

NOTE 14 – Reclassification

Beginning net assets have been reclassified between without donor restrictions and with donor restrictions to reflect an additional \$1,756,353 time restricted in the prior year.