

# **LUTHERAN BIBLE TRANSLATORS, INC.**

**Report on Audited Financial Statements**

**December 31, 2014 and 2013**

**MANNING SILVERMAN & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS  
(847) 459-8850**

**LUTHERAN BIBLE TRANSLATORS, INC.**  
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**DECEMBER 31, 2014 AND 2013**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lutheran Bible Translators, Inc.  
Aurora, Illinois

We have audited the accompanying financial statements of Lutheran Bible Translators, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2014 with comparative totals for 2013, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

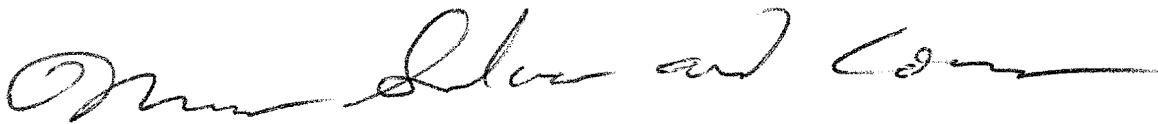
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Bible Translators, Inc. as of December 31, 2014 and 2013 and the results of its activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Manning Silverman & Company  
Lincolnshire, Illinois

May 1, 2015

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

**ASSETS**

	2014	2013
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,153,968	\$ 329,274
Contributions Receivable	109,380	134,634
Advances to Field Offices	47,191	53,107
Other Receivables	1,206	9,776
Prepaid Expenses	17,854	92,448
Total Current Assets	1,329,599	619,239
Investments	1,906,852	1,780,784
<b>Fixed Assets</b>		
Property and Equipment	1,733,455	1,636,116
Less: Accumulated Depreciation	(1,308,028)	(1,257,058)
Total Fixed Assets	425,427	379,058
Total Assets	\$ 3,661,878	\$ 2,779,081

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	\$ 96,773	\$ 104,282
Accrued Expenses	64,007	75,987
Total Current Liabilities	160,780	180,269
<b>Net Assets</b>		
Unrestricted	2,724,445	1,732,494
Temporarily Restricted	412,753	503,718
Permanently Restricted	363,900	362,600
Total Net Assets	3,501,098	2,598,812
Total Liabilities and Net Assets	\$ 3,661,878	\$ 2,779,081

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Income (Loss)								
Contributions	\$ 3,619,099	\$ 185,911	\$ 1,300	\$ 3,806,310	\$ 3,155,636	\$ 237,220	\$ 2,300	\$ 3,395,156
Bequests	1,252,822	-	-	1,252,822	525,973	-	-	525,973
Investment Income, Net	22,222	12,174	-	34,396	182,592	62,601	-	245,193
Other Income	6,286	-	-	6,286	12,523	-	-	12,523
Gain on Disposal of Equipment	7,165	-	-	7,165	-	-	-	-
Net Assets Released from Restrictions	289,050	(289,050)	-	-	412,734	(412,734)	-	-
<b>Total Revenue and Other Income (Loss)</b>	<b>5,196,644</b>	<b>(90,965)</b>	<b>1,300</b>	<b>5,106,979</b>	<b>4,289,458</b>	<b>(112,913)</b>	<b>2,300</b>	<b>4,178,845</b>
Expenses								
Program Services	3,305,852	-	-	3,305,852	3,293,709	-	-	3,293,709
General and Administrative	659,428	-	-	659,428	655,138	-	-	655,138
Fundraising	239,413	-	-	239,413	236,482	-	-	236,482
<b>Total Expenses</b>	<b>4,204,693</b>	<b>-</b>	<b>-</b>	<b>4,204,693</b>	<b>4,185,329</b>	<b>-</b>	<b>-</b>	<b>4,185,329</b>
Increase (Decrease) in Net Assets	991,951	(90,965)	1,300	902,286	104,129	(112,913)	2,300	(6,484)
Net Assets, Beginning of Year	1,732,494	503,718	362,600	2,598,812	1,628,365	616,631	360,300	2,605,296
Net Assets, End of Year	<u>\$ 2,724,445</u>	<u>\$ 412,753</u>	<u>\$ 363,900</u>	<u>\$ 3,501,098</u>	<u>\$ 1,732,494</u>	<u>\$ 503,718</u>	<u>\$ 362,600</u>	<u>\$ 2,598,812</u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 902,286	\$ (6,484)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operations:		
Depreciation	87,912	78,915
Realized (Gain) on Investments	(70,652)	(32,904)
Unrealized Loss (Gain) on Investments	58,557	(186,802)
(Gain) on Disposals of Fixed Assets	(7,165)	-
(Increase) Decrease in Assets:		
Contributions Receivable	25,254	140,500
Advances to Field Offices	5,916	5,906
Other Receivables	8,570	(5,049)
Prepaid Expenses	74,594	(84,673)
Increase (Decrease) in Liabilities:		
Accounts Payable	(7,509)	(20,577)
Accrued Vacation	(11,980)	11,175
Net Cash Provided by (Used in) Operating Activities	<u>1,065,783</u>	<u>(99,993)</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(130,383)	(121,905)
Purchases of Fixed Assets	(134,281)	(28,003)
Proceeds from Sale of Investments	16,410	201,226
Proceeds from Sales of Fixed Assets	<u>7,165</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>(241,089)</u>	<u>51,318</u>
Increase (Decrease) in Cash and Cash Equivalents	824,694	(48,675)
Cash and Cash Equivalents, Beginning of Year	<u>329,274</u>	<u>377,949</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,153,968</u>	<u>\$ 329,274</u>
Supplemental Information:		
Cash Paid for Interest	<u>\$ 57</u>	<u>\$ 4,563</u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH COMPARATIVE TOTALS FOR 2013**

	Program			Support			2014 Total Expenses	2013 Total Expenses
	Field Services	Program Ministries	Total Program	General and Administrative	Fundraising	Total Support		
Salaries and Wages	\$ 916,576	\$ 348,722	\$ 1,265,298	\$ 240,773	\$ 164,488	\$ 405,261	\$ 1,670,559	\$ 1,763,148
Retirement Plan	78,853	29,666	108,519	23,851	-	23,851	132,370	134,201
Other Employee Benefits	419,092	138,024	557,116	88,404	-	88,404	645,520	637,740
Payroll Taxes	69,079	28,365	97,444	26,188	-	26,188	123,632	127,677
Newsletter	38,253	18,841	57,094	-	6,659	6,659	63,753	62,670
Direct Mailings	4,962	2,444	7,406	-	66,650	66,650	74,056	70,522
Professional Fees	39,991	15,380	55,371	52,964	-	52,964	108,335	91,789
Supplies	23,036	1,749	24,785	2,051	-	2,051	26,836	33,908
Telecommunications	23,285	5,993	29,278	4,583	-	4,583	33,861	35,361
Postage and Shipping	(248)	603	355	(234)	-	(234)	121	39,341
Occupancy	144,480	9,936	154,416	14,831	-	14,831	169,247	150,809
Equipment Rental and Maintenance	33,291	16,395	49,686	21,207	-	21,207	70,893	74,747
Printing and Publication	7,681	4,975	12,656	10,465	-	10,465	23,121	29,319
Travel	315,329	61,560	376,889	82,659	-	82,659	459,548	455,964
Conferences, Meetings, and Workshops	24,176	9,984	34,160	16,277	-	16,277	50,437	78,227
Interest	26	13	39	19	-	19	58	4,563
Missionary/National Support	60,851	20,046	80,897	6,142	-	6,142	87,039	64,210
Special Project Expenses	269,231	-	269,231	-	-	-	269,231	193,454
Other Expenses	39,695	16,327	56,022	50,526	1,616	52,142	108,164	58,764
<b>Total Expenses Before Depreciation</b>	<b>2,507,639</b>	<b>729,023</b>	<b>3,236,662</b>	<b>640,706</b>	<b>239,413</b>	<b>880,119</b>	<b>4,116,781</b>	<b>4,106,414</b>
Depreciation	69,190	-	69,190	18,722	-	18,722	87,912	78,915
<b>Total Expenses</b>	<b>\$ 2,576,829</b>	<b>\$ 729,023</b>	<b>\$ 3,305,852</b>	<b>\$ 659,428</b>	<b>\$ 239,413</b>	<b>\$ 898,841</b>	<b>\$ 4,204,693</b>	<b>\$ 4,185,329</b>

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.



**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**1. Organization and Nature of Activities**

Lutheran Bible Translators, Inc., formerly Messengers of Christ – Lutheran Bible Translators, Inc. (the Organization), 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 world-wide staff of missionaries who work in partnership with a global network of Lutheran church bodies and indigenous translation and literacy organizations in host countries.

The ministry program is reported in two categories; field services and program ministries. Field services include activities directly related to the world-wide staff of missionaries. Program ministries include activities related to world-wide staff of missionaries but conducted through the U.S. offices of the Organization.

**2. Significant Accounting Policies**

Basis of Accounting

The accounts of the Organization are maintained on the accrual basis.

Information regarding the financial position and activities of the Organization are reported in three classes of net assets (as applicable): unrestricted, temporarily restricted or permanently restricted, the latter two of which are based on the existence or absence of externally (donor) imposed restrictions on contributions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Organization, except for those that are temporarily or permanently restricted by donors. Board designated amounts are part of unrestricted net assets.
- Temporarily Restricted Net Assets – Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions).
- Permanently Restricted Net Assets – Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of this class of net assets be retained in perpetuity as an endowment with only the income to be reclassified to unrestricted net assets.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding those amounts contained in the investment portfolios.

Accounts Receivable and Bad Debt Expense

Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If an amount becomes uncollectible, it is charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fair Value Measurements

Under GAAP, *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of fair value hierarchy are as follows:

Level I Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

Level II Valuation based on inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level III Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the Organization's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Property and Equipment

Property and equipment are recorded at historical cost. The Organization capitalizes fixed asset additions over \$1,000. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Building	44
Building Improvements	10 - 44
Office Furniture and Equipment	3 - 10
Field Equipment	3 - 10

Maintenance and repairs, which neither materially add to the value of property nor appreciably prolong the lives, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statements of activities and changes in net assets.

Contributions, Grants and Contracts

Contracts and grants are recognized as revenue in the periods in which the contracts or grants are received, at the face amounts stated therein; however, they may be subject to adjustment in subsequent periods. All revenues from contracts or grants are considered to be available for unrestricted use unless specifically restricted as to time or purpose by the respective grantors or contracting agencies. Amounts received that are designated for future periods or are restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Contract and grant revenues for which time or purpose restrictions expire in the period received are considered unrestricted revenues.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

A restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets include the principal amount of contributions accepted with the stipulations from the donors that the principal be maintained in perpetuity, with only the income therefrom to be expended for either general purposes or a purpose specified by the donor.

Donations are recognized as revenue upon receipt. Unconditional promises to give, which do not state a due date or use restriction, are presumed to be unrestricted net assets.

Contributed Services

The value of contributed services to the Organization from volunteers is not considered to be material and therefore has not been recognized as revenue in the accompanying financial statements. The approximate number of volunteer hours for the years ended December 31, 2014 and 2013 were 2,787 and 2,905, respectively, which were spent on program ministries activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses that are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs have been allocated among the programs and supporting services benefited based on time devoted to the functional areas and other appropriate methods.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a "more likely than not" threshold. The Organization does not believe its financial statements include any uncertain tax positions. The Organization's income tax filings for the years 2011 and thereafter remain subject to examination by the Internal Revenue Service.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

Use of Estimates

The preparation of 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist principally of cash. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

**3. Fixed Assets**

The following is the summary of the Organization's fixed assets at December 31:

	2014	2013
Building	\$ 360,000	\$ 360,000
Land	40,000	40,000
Building Improvements	358,402	358,402
Field Equipment	795,249	735,394
Office Furniture and Equipment	179,804	142,320
	1,733,455	1,636,116
Less: Accumulated Depreciation	(1,308,028)	(1,257,058)
Net Book Value	\$ 425,427	\$ 379,058

**4. Investments and Endowment Fund**

Investments consist of money market 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. All funds held in the investment portfolio at December 31, 2014 and 2013 are considered to be Level I type assets.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

*Money Markets:* Valued at fair-value based on similar instruments with comparable durations and considering the credit-worthiness of the issuer.

*Mutual Funds:* Valued at net asset value (NAV) of shares held by the Organization as of the measurement date, which is considered to represent the fair-value of the shares traded in the active market.

The following investments were held at NFP Securities as of December 31, 2014:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Money Markets	\$ 108,287	\$ 108,287	\$ -
Equity Funds	1,322,118	1,046,272	275,846
Fixed Income Funds	<u>476,447</u>	<u>493,878</u>	<u>(17,431)</u>
Total	<u>\$ 1,906,852</u>	<u>\$ 1,648,437</u>	<u>\$ 258,415</u>

The following investments were held at NFP Securities as of December 31, 2013:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Money Markets	\$ 34,699	\$ 34,699	\$ -
Equity Funds	1,119,568	788,230	331,338
Fixed Income Funds	<u>626,517</u>	<u>640,884</u>	<u>(14,367)</u>
Total	<u>\$ 1,780,784</u>	<u>\$ 1,463,813</u>	<u>\$ 316,971</u>

The following summarizes the net investment income for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Unrealized Gains	\$ (44,663)	\$ (13,894)	\$ (58,557)
Realized Gains	53,811	16,841	70,652
Interest and Dividends	29,484	9,227	38,711
Less: Investment Related Expenses	<u>(16,410)</u>	<u>-</u>	<u>(16,410)</u>
Total Investment Return	<u>\$ 22,222</u>	<u>\$ 12,174</u>	<u>\$ 34,396</u>

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

The following summarizes the net investment income for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Unrealized Gains	\$ 141,897	\$ 44,905	\$ 186,802
Realized Gains	24,994	7,910	32,904
Interest and Dividends	30,924	9,786	40,710
Less: Investment Related Expenses	<u>(15,223)</u>	<u>-</u>	<u>(15,223)</u>
 Total Investment Return	 <u>\$ 182,592</u>	 <u>\$ 62,601</u>	 <u>\$ 245,193</u>

*Interpretation of Relevant Law*

The governing body 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 permanently 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, and c) accumulations to the permanent endowment made in accordance with the direction of the application donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

*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 of between .5% and 6% annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

To satisfy its long term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Organization places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Organization has a policy to set spending equal to 5% 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.



**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

Endowment Net Asset Composition by Purpose of Fund at December 31, 2014 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Mission Projects and Other Board Designated	\$ 1,237,834	\$ 201,634	\$ -	\$ 1,439,468
Education and Training	46,251	18,312	178,134	242,697
Translation	16,134	20,236	86,535	122,905
General Fund	<u>767</u>	<u>1,784</u>	<u>99,231</u>	<u>101,782</u>
Total	<u>\$ 1,300,986</u>	<u>\$ 241,966</u>	<u>\$ 363,900</u>	<u>\$ 1,906,852</u>

Endowment Net Asset Composition by Purpose of Fund at December 31, 2013 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Mission Projects and Other Board Designated	\$ 1,092,811	\$ 222,116	\$ -	\$ 1,314,927
Education and Training	15,426	26,087	176,834	218,347
Translation	22,998	25,856	86,535	135,389
General Fund	<u>5,840</u>	<u>7,050</u>	<u>99,231</u>	<u>112,121</u>
Total	<u>\$ 1,137,075</u>	<u>\$ 281,109</u>	<u>\$ 362,600</u>	<u>\$ 1,780,784</u>

Since the Board of Directors cannot permanently restrict funds, the Organization considers the "Board Designated" investments to be a "Quasi-endowment". These board designated funds are invested like the other named endowments, but the principal is completely unrestricted.

The largest and most active quasi-endowment is the Board Designated Endowment. This endowment is funded by estate checks received which have no specific designation. The Board of Directors has decided that a minimum of 15% of all undesignated estate checks be invested in the Board Designated Endowment; the remaining portion of the undesignated estate check stays in the general operating account. The balances of the Board Designated Endowment fund were \$1,237,481 and \$1,045,240 at December 31, 2014 and 2013, respectively.

The previously mentioned Board Designated Endowment policy was changed during the January 2015 Board meeting to require the Organization to contribute \$500,000 annually to the Board Designated Endowment beginning in 2015.

**LUTHERAN BIBLE TRANSLATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2014 AND 2013**

**5. Line of Credit**

The Organization has available a \$200,000 line of credit with Old Second National Bank maturing June 11, 2014. Interest is payable at the greater of 5.25% or prime rate. The line of credit is collateralized by property and equipment. As of December 31, 2014 and 2013, the line had no outstanding balance.

**6. Pension Plan**

The Organization participates in the Concordia Retirement Plan for workers of the Lutheran Church – Missouri Synod (the Plan). 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. During the current year, the rate of contributions was 7.5% of covered payroll of each eligible employee for the years ended December 31, 2014 and 2013. Total contributions to the Plan for the years ended December 31, 2014 and 2013 were \$132,370 and \$134,201, respectively.

**7. Subsequent Events**

The Organization has listed its service center building in Aurora, Illinois, for sale in February 2015 with an asking price that exceeds the net book value of the property. The service center staff will relocate its operations over the next twelve months to a more strategic location, and lease a more appropriately sized facility to enhance future ministry opportunities.

During the January 2015 Board meeting, the Board of Directors approved a revision to the Board Designated Endowment policy to require the Organization to contribute \$500,000 annually to the quasi-endowment beginning in 2015 (Note 4).

Subsequent events have been evaluated through May 1, 2015, which is the date the financial statements were available to be issued. There are no other subsequent events requiring recognition and/or disclosure in the financial statements.