**Lutheran Bible Translators, Inc.**
**Financial Statements and**
**Independent Auditor's Report**
**December 31, 2015**

**LUTHERAN BIBLE TRANSLATORS, INC.**
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors
Lutheran Bible Translators, Inc.
Concordia, Missouri

We have audited the accompanying financial statements of Lutheran Bible Translators, Inc., which comprise the statements of financial position as of December 31, 2015 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, 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, 2015 and the results of its activities and changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Year Financial Statements**

The 2014 financial statements of Lutheran Bible Translators, Inc. were audited by another auditor whose report dated May 1, 2015, stated that, based on their audit procedures performed, they were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. The 2014 financial statement information has been presented in the current year statements for comparative purposes only, and we do not opine on the previous auditor's report.

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Evolve Financial I

May 24, 2016

**LUTHERAN BIBLE TRANSLATORS, INC.**
**STATEMENT OF FINANCIAL POSITION**
**DECEMBER 31, 2015**
**WITH COMPARATIVE INFORMATION FOR 2014**

**ASSETS**

| | 2015 | 2014 |
|---|---|---|
| Current Assets | | |
| Cash and Cash Equivalents | $ 849,459 | $ 1,153,968 |
| Contributions Receivable | 142,962 | 109,380 |
| Advances to Field Offices | 29,823 | 47,191 |
| Other Receivables | 36,188 | 1,206 |
| Prepaid Expenses | 14,514 | 17,854 |
| Total Current Assets | 1,072,946 | 1,329,599 |
| Investments | 1,883,881 | 1,906,852 |
| Property Held for Sale | 159,496 | - |
| Fixed Assets | | |
| Property and Equipment | 1,199,957 | 1,733,455 |
| Less: Accumulated Depreciation | (822,512) | (1,308,028) |
| Total Fixed Assets | 377,445 | 425,427 |
| Total Assets | $ 3,493,768 | $ 3,661,878 |

**LIABILITIES AND NET ASSETS**

| | 2015 | 2014 |
|---|---|---|
| Current Liabilities | | |
| Accounts Payable | $ 173,077 | $ 96,773 |
| Accrued Expenses | 75,161 | 64,007 |
| Total Current Liabilities | 248,238 | 160,780 |
| Net Assets | | |
| Unrestricted | 2,295,231 | 2,724,445 |
| Temporarily Restricted | 587,124 | 412,753 |
| Permanently Restricted | 363,175 | 363,900 |
| Total Net Assets | 3,245,530 | 3,501,098 |
| Total Liabilities and Net Assets | $ 3,493,768 | $ 3,661,878 |

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

# LUTHERAN BIBLE TRANSLATORS, INC.
# STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
# FOR THE YEAR ENDED DECEMBER 31, 2015
# WITH COMPARATIVE INFORMATION FOR 2014

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenue and Other Income (Loss) | | | | | | | | |
| Contributions | $ 3,318,709 | $ 181,937 | $ 400 | $ 3,501,046 | $ 3,619,099 | $ 185,911 | $ 1,300 | $ 3,806,310 |
| Bequests | 446,546 | - | - | 446,546 | 1,252,822 | - | - | 1,252,822 |
| Investment Income, Net | (47,322) | (7,566) | - | (54,888) | 22,222 | 12,174 | - | 34,396 |
| Other Income | 5,614 | - | - | 5,614 | 6,286 | - | - | 6,286 |
| Gain on Disposal of Equipment | 13,493 | - | - | 13,493 | 7,165 | - | - | 7,165 |
| Net Assets Released from Restrictions | 1,125 | - | (1,125) | - | 289,050 | (289,050) | - | - |
| Total Revenue and Other Income (Loss) | 3,738,165 | 174,371 | (725) | 3,911,811 | 5,196,644 | (90,965) | 1,300 | 5,106,979 |
| Expenses | | | | | | | | |
| Program Services | 3,343,988 | - | - | 3,343,988 | 3,305,852 | - | - | 3,305,852 |
| General and Administrative | 660,453 | - | - | 660,453 | 659,428 | - | - | 659,428 |
| Fundraising | 162,938 | - | - | 162,938 | 239,413 | - | - | 239,413 |
| Total Expenses | 4,167,379 | - | - | 4,167,379 | 4,204,693 | - | - | 4,204,693 |
| Increase (Decrease) in Net Assets | (429,214) | 174,371 | (725) | (255,568) | 991,951 | (90,965) | 1,300 | 902,286 |
| Net Assets, Beginning of Year | 2,724,445 | 412,753 | 363,900 | 3,501,098 | 1,732,494 | 503,718 | 362,600 | 2,598,812 |
| Net Assets, End of Year | $ 2,295,231 | $ 587,124 | $ 363,175 | $ 3,245,530 | $ 2,724,445 | $ 412,753 | $ 363,900 | $ 3,501,098 |

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

# LUTHERAN BIBLE TRANSLATORS, INC.
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2015
## WITH COMPARTIVE INFORMATION FOR 2014

| | 2015 | 2014 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Increase (Decrease) in Net Assets | $ (255,568) | $ 902,286 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets | | |
| to Net Cash Provided by (Used in) Operations: | | |
| Depreciation | 93,505 | 87,912 |
| Realized (Gain) on Investments | (12,439) | (70,652) |
| Unrealized Loss (Gain) on Investments | 96,688 | 58,557 |
| (Gain) on Disposals of Fixed Assets | (13,493) | (7,165) |
| (Increase) Decrease in Assets: | | |
| Contributions Receivable | (33,582) | 25,254 |
| Advances to Field Offices | 17,368 | 5,916 |
| Other Receivables | (34,982) | 8,570 |
| Prepaid Expenses | 3,340 | 74,594 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 76,304 | (7,509) |
| Accrued Vacation | 11,154 | (11,980) |
| Net Cash Provided by (Used in) Operating Activities | (51,705) | 1,065,783 |
| Cash Flows from Investing Activities: | | |
| Purchases of Investments | (61,278) | (130,383) |
| Purchases of Fixed Assets | (224,905) | (134,281) |
| Proceeds from Sale of Investments | - | 16,410 |
| Proceeds from Sales of Fixed Assets | 33,379 | 7,165 |
| Net Cash Provided by (Used in) Investing Activities | (252,804) | (241,089) |
| Increase (Decrease) in Cash and Cash Equivalents | (304,509) | 824,694 |
| Cash and Cash Equivalents, Beginning of Year | 1,153,968 | 329,274 |
| Cash and Cash Equivalents, End of Year | $ 849,459 | $ 1,153,968 |
| Supplemental Information: | | |
| Cash Paid for Interest | $ - | $ 57 |

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, 2015

| | Program | | | Support | | | |
|---|---|---|---|---|---|---|---|
| | Field Services | Program Ministries | Total Program | General and Administrative | Fundraising | Total Support | Total Expenses |
| Salaries and Wages | $ 880,453 | $ 313,870 | $ 1,194,323 | $ 321,605 | $ 108,956 | $ 430,561 | $ 1,624,884 |
| Retirement Plan | 95,448 | 26,857 | 122,305 | 32,727 | - | 32,727 | 155,032 |
| Other Employee Benefits | 490,194 | 119,562 | 609,756 | 103,424 | - | 103,424 | 713,180 |
| Payroll Taxes | 85,047 | 24,049 | 109,096 | 28,277 | - | 28,277 | 137,373 |
| Newsletter | 32,343 | 15,934 | 48,277 | 25 | 10,864 | 10,889 | 59,166 |
| Direct Mailings | 3,019 | 1,487 | 4,506 | - | 40,556 | 40,556 | 45,062 |
| Professional Fees | 30,363 | 5,304 | 35,667 | 10,247 | - | 10,247 | 45,914 |
| Supplies | 13,858 | 2,296 | 16,154 | 3,317 | - | 3,317 | 19,471 |
| Telecommunications | 25,418 | 4,766 | 30,184 | 3,202 | - | 3,202 | 33,386 |
| Postage and Shipping | 9,715 | 6,430 | 16,145 | 7,976 | - | 7,976 | 24,121 |
| Occupancy | 102,892 | 11,503 | 114,395 | 17,169 | - | 17,169 | 131,564 |
| Equipment Rental and Maintenance | 27,806 | 10,113 | 37,919 | 16,384 | - | 16,384 | 54,303 |
| Printing and Publication | 5,795 | 4,380 | 10,175 | 3,441 | - | 3,441 | 13,616 |
| Travel | 266,526 | 75,519 | 342,045 | 74,848 | - | 74,848 | 416,893 |
| Conferences, Meetings, and Workshops | 31,576 | 9,819 | 41,395 | 9,107 | - | 9,107 | 50,502 |
| Missionary/National Support | 47,462 | 4,167 | 51,629 | 1,875 | - | 1,875 | 53,504 |
| Special Project Expenses | 416,688 | - | 416,688 | - | - | - | 416,688 |
| Other Expenses | 43,157 | 27,657 | 70,814 | 5,838 | 2,562 | 8,400 | 79,214 |
| Total Expenses Before Depreciation | 2,607,760 | 663,713 | 3,271,473 | 639,462 | 162,938 | 802,400 | 4,073,873 |
| Depreciation | 72,515 | - | 72,515 | 20,991 | - | 20,991 | 93,506 |
| Total Expenses | $ 2,680,275 | $ 663,713 | $ 3,343,988 | $ 660,453 | $ 162,938 | $ 823,391 | $ 4,167,379 |

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

# LUTHERAN BIBLE TRANSLATORS, INC.
## STATEMENT OF FUNCTIONAL EXPENSES – AUDITED BY PRIOR AUDITOR
## FOR THE YEAR ENDED DECEMBER 31, 2014

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

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

## 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.

## 2. Significant Accounting Policies (Continued)

*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.

*Impairment of Long-Lived Assets*

The Organization reviews its investment in long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets-may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges and any estimated proceeds from the eventual disposition of the assets are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized during the years ended December 31, 2015 or 2014.

*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.

**2. Significant Accounting Policies (Continued)**

*Fair Value Measurements (Continued)*

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.

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.

The carrying amounts for cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value due to the short period of time to maturity.

## 2. Significant Accounting Policies (Continued)

*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:

| Description | Years |
|---|---|
| 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.

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.

## 2. Significant Accounting Policies (Continued)

*Contributions, Grants and Contracts (Continued)*

Contributions 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, 2015 and 2014 were 1,936 and 2,787, 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 2012 and thereafter remain subject to examination by the Internal Revenue Service.

*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.

## 2. Significant Accounting Policies (Continued)

*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. Relocation and Facility Lease

In September of 2015, the Organization moved its corporate headquarters from Aurora, Illinois, to Concordia, Missouri. The new facility is being leased from Saint Paul Lutheran High School (SPLHS). The agreement calls for the Organization to pay all utilities and/or services based upon occupancy of the premises in the amount of $833 through August 31, 2025, at which time rental payments of $2,250 commence.

As part of the lease, the Organization also entered into a Capital Improvements contract in which it agreed to make payments of $171,268 for the purposes of capital renovations of the Concordia Missouri leased facility. One payment of $85,634 was made prior to December 31, 2015, and the other was made in 2016, which is accrued and included in accounts payable in the accompanying statement of financial position at December 31, 2015. Total building improvements related to the Concordia Missouri facility were $179,870 at December 31, 2015.

## 4. Property Held for Sale and Subsequent Sale

As a result of the Organization's move to Concordia Missouri in September of 2015, as discussed in Note 3, the Aurora Illinois facility was vacated and held for sale at the time of the move. The net book value of the building, land, and building improvements of $159,496 has been classified as property held for sale in the accompanying statement of financial position at December 31, 2015.

The Organization sold the Aurora Illinois facility to an unrelated party on May 5, 2016, for a gross sale price of $600,000. The buyer paid $150,000 at closing, which included $3,495 of closing costs. A note receivable was established in the amount of $450,000 for the remaining balance of the purchase price. Monthly principal and interest payments of $2,416 commence on June 1, 2016, applicable first to interest at a rate of 5% per annum and the remainder as a direct reduction of principal. The note matures and the entire remaining balance shall be paid in full on June 1, 2017, with an option to renew the note for an additional year if financing cannot be obtained on or before May 1, 2017.

## 5. Fixed Assets

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

| | 2015 | 2014 |
|---|---|---|
| Building Improvements | $ 179,870 | $ - |
| Field Equipment | 839,283 | 795,249 |
| Office Furniture and Equipment | 180,804 | 179,804 |
| | 1,199,957 | 1,733,455 |
| Less: Accumulated Depreciation | (1,380,245) | (1,308,028) |
| Net Book Value | $ 377,445 | $ 425,427 |

## 6. 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, 2015 and 2014 are considered to be Level I type assets.

*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, 2015:

| | Fair Value | Cost | Unrealized Gain (Loss) |
|---|---|---|---|
| Money Markets | $ 76,012 | $ 76,012 | $ - |
| Equity Funds | 1,194,008 | 1,005,364 | 188,644 |
| Fixed Income Funds | 613,861 | 643,266 | (29,405) |
| Total | $ 1,883,881 | $ 1,724,642 | $ 159,239 |

## 6. Investments and Endowment Fund (Continued)

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

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

The following summarizes the net investment income for the year ended December 31, 2015:

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Unrealized Losses | $ (77,099) | $ (19,589) | $ (96,688) |
| Realized Gains | 9,971 | 2,468 | 12,439 |
| Interest and Dividends | 38,143 | 9,555 | 47,698 |
| Less: Investment Related Expenses | (18,337) | - | (18,337) |
| Total Investment Loss | $ (47,322) | $ (7,566) | $ (54,888) |

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

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Unrealized Losses | $ (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 | (16,410) | - | (16,410) |
| Total Investment Return | $ 22,222 | $ 12,174 | $ 34,396 |

## 6. Investments and Endowment Fund (Continued)

*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

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predicable 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.

## 6. Investments and Endowment Fund (Continued)

*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 4% of the total portfolio value, without touching principal, each year unless specific endowment agreements limit the spending amount. No principal will be used in spending. In establishing this policy, the Organization considered preservation of principal on its endowment. Therefore, these funds may tend toward a more "conservative" investment strategy. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Purpose of Fund at December 31, 2015 is as follows:

| | Board Designated | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Mission Projects and Other Board Designated | $ 1,260,212 | $ 188,185 | $ (1,025) | $ 1,447,372 |
| Education and Training | 35,235 | 13,140 | 178,434 | 226,809 |
| Translation | 11,625 | 16,547 | 86,535 | 114,707 |
| General Fund | (2,565) | (1,673) | 99,231 | 94,993 |
| Total | $ 1,304,507 | $ 216,199 | $ 363,175 | $ 1,883,881 |

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

| | Board Designated | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| 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 | 767 | 1,784 | 99,231 | 101,782 |
| Total | $ 1,300,986 | $ 241,966 | $ 363,900 | $ 1,906,852 |

## 6. Investments and Endowment Fund (Continued)

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 $1,260,212 and $1,237,834 at December 31, 2015 and 2014, 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 to begin in 2016.

## 7. Line of Credit

The Organization has available a $200,000 unsecured line of credit with Old Second National Bank maturing June 11, 2016. Interest is payable at the greater of 5.25% or prime rate. There was no outstanding balance on the line of credit at December 31, 2015 and 2014.

## 8. Operating Leases

The Organization has an operating lease with an unrelated party for its copier equipment that requires monthly payments of $1,680 through July, 2020.

The Organization has an operating lease with an unrelated party for its mail postage equipment that requires monthly payments of $1,400 through September, 2018.

Equipment rental expense was $34,749 and $46,249 for the years ended December 31, 2015 and 2014, respectively.

Future minimum obligations under non-cancelable equipment leases are as follows:

| | |
|---|---|
| 2016 | $ 36,960 |
| 2017 | 36,960 |
| 2018 | 32,760 |
| 2019 | 20,160 |
| 2020 | 11,760 |
| | $ 138,600 |

**9. 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 of covered payroll for each eligible employee was 7.5% from January 1, 2014 through June 30, 2015, and 8.7% from July 1, 2015 through December 31, 2015. Total contributions to the Plan for the years ended December 31, 2015 and 2014, were $155,032 and $132,370, respectively.

**10. Subsequent Events**

Subsequent events have been evaluated through May 24, 2016, which is the date the financial statements were available to be issued. There are no subsequent events, other than the sale of the Aurora Illinois facility as discussed in Note 4, requiring recognition and/or disclosure in the financial statements.