



LUTHERAN MEN IN MISSION
Chicago, Illinois

FINANCIAL STATEMENTS
January 31, 2010



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Accountant's Report

Board of Directors
Lutheran Men in Mission
Chicago, Illinois

We have reviewed the accompanying statement of financial position of Lutheran Men in Mission (LMM) as of January 31, 2010, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of LMM.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Oak Brook, Illinois
April 9, 2011

**LUTHERAN MEN IN MISSION
STATEMENT OF FINANCIAL POSITION
January 31, 2010**

ASSETS

Cash and cash equivalents	\$ 68,816
Accounts receivable	5,146
Consigned inventories	71,300
Due from Evangelical Lutheran Church in America	48,123
Investments	<u>906,869</u>

TOTAL ASSETS **\$ 1,100,254**

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses and other liabilities \$ 4,217

NET ASSETS

Unrestricted 371,297
Permanently restricted 724,740

Total net assets 1,096,037

TOTAL LIABILITIES AND NET ASSETS **\$ 1,100,254**

See accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENT OF ACTIVITIES
Year Ended January 31, 2010**

	Unrestricted	Permanently Restricted	Totals
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributions	\$ 183,433	\$ 8,516	\$ 191,949
Program service revenue	40,264	-	40,264
Investment income	61,995	-	61,995
Realized and unrealized gain on investments, net	135,859	-	135,859
Other income	1,219	-	1,219
Total revenues, gains, and public support	422,770	8,516	431,286
EXPENSES			
Program services	301,865	-	301,865
CHANGES IN NET ASSETS	120,905	8,516	129,421
NET ASSETS, BEGINNING OF YEAR	250,392	716,224	966,616
NET ASSETS, END OF YEAR	\$ 371,297	\$ 724,740	\$ 1,096,037

See accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENT OF CASH FLOWS
Year Ended January 31, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 129,421
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(135,859)
Effects of changes in operating assets and liabilities:	
Accounts receivable	(5,146)
Prepaid expenses	3,803
Due from Evangelical Lutheran Church in America	75,502
Accrued expenses and other liabilities	<u>4,217</u>
Net cash provided by operating activities	71,938
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(46,270)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in endowment	<u>(8,516)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	17,152
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>51,664</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 68,816</u></u>

See accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lutheran Men in Mission (LMM) is a not-for-profit evangelical organization formed to build men's faith, relationships and ministry through the men's events they produce, the resources they publish and the leaders they develop. LMM's fiscal year ends on January 31. Significant accounting policies are as follows.

Until January 31, 2009, LMM was part of the Evangelical Lutheran Church in America (ELCA). Effective February 1, 2009, LMM separately incorporated and all assets, liabilities and net assets attributable to LMM were transferred from ELCA to LMM.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Method of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows GAAP for not-for-profit organizations. GAAP requires LMM to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are generally reported as unrestricted unless assets are received from donors with explicit stipulations that limit the use of the asset. LMM has no temporarily restricted net assets.

Cash and Cash Equivalents

LMM considers all highly liquid investments including certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the sale of bibles and other publications and are non-interest bearing. At January 31, 2010, no allowance for doubtful accounts has been recorded against the receivables.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consigned Inventories

Consigned inventories consist of bibles and other publications located at a warehouse operated by an independent third party. Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Investments

Investments consist of shares of the ELCA Endowment Fund Pooled Trust, which are carried at fair value.

Support and Revenues

LMM receives a significant portion of its operating funds from grants and contributions.

LMM records contributions in accordance with FASB Accounting Standards Codification (ASC) No. 958-605, *Not-for-Profit Entities - Revenue Recognition*. Contributions are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase to unrestricted net assets during the period in which the restriction expires. Investment income and realized and unrealized gains/losses resulting from contributions are reported as unrestricted or temporarily restricted net assets, as designated by the donor.

Income Taxes

LMM is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, LMM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). LMM has no obligation for unrelated business income tax at January 31, 2010.

LMM adopted the requirements for accounting for uncertain tax positions on February 1, 2009. LMM determined that it was not required to record a liability related to uncertain tax positions as a result of implementing the new requirements.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, LMM uses various valuation approaches within the fair value measurement framework of GAAP. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2010**

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

As of January 31, 2010, the only asset or liability that is measured at fair value on a recurring basis in periods subsequent to initial recognition is investments. Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. LMM's only investment as of January 31, 2010, is a pooled trust fund, which is considered a Level 2 financial instrument.

NOTE 3 - INVESTMENTS

Investments consist of shares of the ELCA Endowment Fund Pooled Trust. Fair value of these shares at January 31, 2010 is \$906,868. Cost information is not available.

Net unrestricted unrealized gains for the year ended January 31, 2010 are \$138,859.

NOTE 4 - ENDOWMENTS

Endowment net assets by type of fund consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 182,229	\$ -	\$ 724,740	\$ 906,969

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2010**

NOTE 4 - ENDOWMENTS (continued)

The changes in endowment net assets for the year ended January 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Balance transferred from ELCA	-	-	716,224	716,224
Investment return:				
Investment income	46,370	-	-	46,370
Net appreciation	<u>135,859</u>	<u>-</u>	<u>-</u>	<u>135,859</u>
Total	182,229	-	716,224	898,453
Contributions	-	-	8,516	8,516
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 182,229</u>	<u>\$ -</u>	<u>\$ 724,740</u>	<u>\$ 906,969</u>

LMM maintained a board designated endowment during the year ended January 31, 2010. LMM's board designated endowments were established to further the kingdom of God through the Lutheran Men in Mission, to enrich the faith journey of the men of ELCA and to live out their faith in the Lord Jesus Christ. The endowment was also formed to afford men opportunities for spiritual growth and development of an evangelical attitude through prayer and study of the Word, to invite men to faith in Christ and fuller involvement and participation in the life of the congregation, synod and the church-wide organization, and to enable men of the church to support the mission and ministries of ELCA through leadership development and an active organization of service and fellowship. The fund may be contributed to buy gifts, memorials, bequests, and life insurance.

Board designated funds are invested in the ELCA Endowment Fund Pooled Trust. See Note 3 for investments held as of January 31, 2010. LMM has adopted investment policies for endowment assets which strive to provide a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains) that grows over time approximately in line with the expected long-term rate of inflation. To the extent consistent with this objective, LMM also seeks to provide long-term capital appreciation. Under this policy, the endowment assets are invested in a diversified portfolio consisting principally of domestic and foreign fixed income and equity securities, selected where feasible in accordance with criteria of social responsibility that are consistent with the values and programs of LMM. The mix of investments in the endowment portfolio will approximately reflect target asset allocations determined from time to time by LMM.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2010**

NOTE 4 - ENDOWMENTS (continued)

LMM has a policy of the Board determining when income, if any, will be allocated from the endowment fund, to fund LMM's programs. At present, it is the Board's policy to grow the endowment fund and not allocate any of the funds. LMM's policy as it relates to the long-term investment fund is to generate income that will remain in the fund. The Board may at any time approve a transfer of funds from the endowment account, but no such transfers have been authorized at this time.

NOTE 5 - NET ASSETS

Net assets consist of the following:

Unrestricted:	
Undesignated	\$ 187,124
Board designated:	
LMM Events	1,944
Endowment	<u>182,229</u>
Total unrestricted	371,297
Permanently restricted, endowments	<u>724,740</u>
Total net assets	<u>\$ 1,096,037</u>

The permanently restricted assets consist of investments and are included in investments on the Statement of Financial Position.

NOTE 6 - MANAGEMENT AGREEMENT

LMM has contracted with ELCA to manage its operations. ELCA provides reasonable and necessary human resources, accounting processing and facilities services for no fee to LMM. Additional services may also be provided by ELCA at a rate of \$33 per hour. During the year ended January 31, 2010, no additional services were provided for a fee.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2010

NOTE 8 - SUBSEQUENT EVENTS

Management evaluated subsequent events through April 9, 2011, the date the financial statements were available to be issued. Events or transactions occurring after January 31, 2010, but prior to April 9, 2011 that provided additional evidence about conditions that existed at January 31, 2010, have been recognized in the financial statements for the year ended January 31, 2010. Events or transactions that provided evidence about conditions that did not exist at January 31, 2010, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended January 31, 2010.

This information is an integral part of the accompanying financial statements.