



LUTHERAN MEN IN MISSION
Chicago, Illinois

FINANCIAL STATEMENTS
January 31, 2011 and 2010



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Independent Accountant's Review Report

Board of Directors
Lutheran Men in Mission
Chicago, Illinois

We have reviewed the accompanying statements of financial position of Lutheran Men in Mission (LMM) as of January 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, 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.

Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedules is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Clifton Gunderson LLP

Oak Brook, Illinois
December 7, 2011

**LUTHERAN MEN IN MISSION
STATEMENTS OF FINANCIAL POSITION
Years Ended January 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 70,549	\$ 68,816
Accounts receivable	-	5,146
Consigned inventories	34,879	71,300
Due from Evangelical Lutheran Church in America	37,488	48,123
Investments	<u>1,027,236</u>	<u>906,869</u>
 TOTAL ASSETS	 <u>\$ 1,170,152</u>	 <u>\$ 1,100,254</u>
 LIABILITIES AND NET ASSETS		
 LIABILITIES		
Accrued expenses and other liabilities	\$ 4,217	\$ 4,217
Deferred revenue	<u>490</u>	<u>-</u>
Total liabilities	<u>4,707</u>	<u>4,217</u>
 NET ASSETS		
Unrestricted	434,044	371,297
Permanently restricted	<u>731,401</u>	<u>724,740</u>
Total net assets	<u>1,165,445</u>	<u>1,096,037</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,170,152</u>	 <u>\$ 1,100,254</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENT OF ACTIVITIES
Year Ended January 31, 2011**

	Unrestricted	Permanently Restricted	Totals
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributions	\$ 217,891	\$ 6,661	\$ 224,552
Program service revenue	25,816	-	25,816
Investment income	57,261	-	57,261
Realized and unrealized gain on investments, net	73,396	-	73,396
Other income	4,315	-	4,315
Total revenues, gains, and public support	378,679	6,661	385,340
EXPENSES			
Program services	315,932	-	315,932
CHANGES IN NET ASSETS	62,747	6,661	69,408
NET ASSETS, BEGINNING OF YEAR	371,297	724,740	1,096,037
NET ASSETS, END OF YEAR	\$ 434,044	\$ 731,401	\$ 1,165,445

See independent accountant's review report and accompanying notes.

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
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	<u>1,219</u>	<u>-</u>	<u>1,219</u>
Total revenues, gains, and public support	422,770	8,516	431,286
EXPENSES			
Program services	<u>301,865</u>	<u>-</u>	<u>301,865</u>
CHANGES IN NET ASSETS	120,905	8,516	129,421
NET ASSETS, BEGINNING OF YEAR	<u>250,392</u>	<u>716,224</u>	<u>966,616</u>
NET ASSETS, END OF YEAR	<u>\$ 371,297</u>	<u>\$ 724,740</u>	<u>\$ 1,096,037</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENTS OF CASH FLOWS
Years Ended January 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 69,408	\$ 129,421
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(73,396)	(135,859)
Effects of changes in operating assets and liabilities:		
Accounts receivable	5,146	(5,146)
Consigned inventories	36,421	-
Prepaid expenses	-	3,803
Due from Evangelical Lutheran Church in America	13,638	75,502
Accrued expenses and other liabilities	<u>490</u>	<u>4,217</u>
Net cash provided by operating activities	51,707	71,938
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(43,313)	(46,270)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	<u>(6,661)</u>	<u>(8,516)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	1,733	17,152
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>68,816</u>	<u>51,664</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 70,549</u>	<u>\$ 68,816</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2011 and 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. There is no allowance for doubtful accounts recorded against the receivables for the years ended January 31, 2011 and 2010.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2011 and 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 (IRC). 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). There is no obligation for unrelated business income tax for the years ended January 31, 2011 and 2010.

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.

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:

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2011 and 2010**

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- 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, 2011 and 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, 2011 and 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. The fair value of these shares totaled \$1,027,235 and \$906,868 during 2011 and 2010, respectively. Cost information is not available.

Net unrestricted unrealized gains for the years ended January 31, 2011 and 2010 are \$73,396 and \$135,859, respectively.

NOTE 4 - ENDOWMENTS

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

<u>January 31, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u>295,935</u>	\$ <u>-</u>	\$ <u>731,401</u>	\$ <u>1,027,336</u>
 <u>January 31, 2010</u>				
Donor restricted endowment funds	\$ <u>182,229</u>	\$ <u>-</u>	\$ <u>724,740</u>	\$ <u>906,969</u>

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2011 and 2010**

NOTE 4 - ENDOWMENTS (continued)

The changes in endowment net assets for the years ended January 31, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2009	\$ -	\$ -	\$ -	\$ -
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	<u>-</u>	<u>-</u>	<u>8,516</u>	<u>8,516</u>
Net assets, January 31, 2010	<u>182,229</u>	<u>-</u>	<u>724,740</u>	<u>906,969</u>
Investment return:				
Investment income	43,313	-	-	43,313
Net appreciation	<u>70,393</u>	<u>-</u>	<u>-</u>	<u>70,393</u>
Total	113,706	-	-	113,706
Contributions	<u>-</u>	<u>-</u>	<u>6,661</u>	<u>6,661</u>
Net assets, January 31, 2011	<u>\$ 295,935</u>	<u>\$ -</u>	<u>\$ 731,401</u>	<u>\$ 1,027,336</u>

LMM maintained a board designated endowment during the years ended January 31, 2011 and 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.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2011 and 2010**

NOTE 4 - ENDOWMENTS (continued)

Board designated funds are invested in the ELCA Endowment Fund Pooled Trust. See Note 3 for investments held as of January 31, 2011 and 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.

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:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Undesignated	\$ 125,849	\$ 187,124
Board designated:		
LMM events	12,260	1,944
Endowment	<u>295,935</u>	<u>182,229</u>
Total unrestricted	434,044	371,297
Permanently restricted, endowments	<u>731,401</u>	<u>724,740</u>
Total net assets	<u>\$ 1,165,445</u>	<u>\$ 1,096,037</u>

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

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2011 and 2010**

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, 2011, no additional services were provided for a fee.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through December 7, 2011, the date the financial statements were available to be issued. Events or transactions occurring after January 31, 2011, but prior to December 7, 2011 that provided additional evidence about conditions that existed at January 31, 2011, have been recognized in the financial statements for the year ended January 31, 2011. Events or transactions that provided evidence about conditions that did not exist at January 31, 2011, 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, 2011.

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

SUPPLEMENTAL INFORMATION

**LUTHERAN MEN IN MISSION
SCHEDULES OF PROGRAM EXPENSES
Years Ended January 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Salaries	\$ 105,470	\$ 105,470
Payroll taxes and fringe benefits	39,024	43,241
Professional fees and contract services	32,765	15,911
Supplies	34,193	30,421
Printing, publications and artwork	51,057	10,568
Postage, shipping and delivery	16,764	15,159
Insurance	1,082	1,170
Travel	7,269	2,829
Meeting and conferences	27,959	58,781
Membership dues and subscriptions	-	4,848
Grants	-	885
Tours and special programs	-	4,200
Miscellaneous	<u>349</u>	<u>8,382</u>
 TOTAL PROGRAM EXPENSES	 <u>\$ 315,932</u>	 <u>\$ 301,865</u>

See independent accountant's review report.